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REAUTHORIZATION OF COMMUNITY DEVELOPMENT BLOCK GRANT/URBAN DEVELOPMENT ACTION GRANT PROGRAMS AND HOME MORTGAGE DISCLOSURE ACT

ORIGINAL

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON
BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

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REAUTHORIZATION OF COMMUNITY DEVELOPMENT BLOCK GRANT/URBAN DEVELOPMENT ACTION GRANT PROGRAMS AND HOME MORTGAGE DISCLOSURE ACT

TUESDAY, MARCH 11, 1986

House of Representatives,
Subcommittee on Housing
and Community Development,
Committee on Banking, Finance and Urban Affairs,
Washington, DC.

The subcommittee met at 10:05 a.m., pursuant to notice, in room 2237, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee) presiding.

Present: Chairman Gonzalez, Representatives Oakar, Vento, Mitchell, Frank, Kaptur, Torres, Kleczka, Kanjorski, Wortley, and McCandless.

Chairman Gonzalez. The subcommittee will please come to order.

I think since we are running a few minutes behind the scheduled hour, and in view of the rules that provide that we have at least another member present, I have checked with the minority staff director and he has no objection to proceeding at least with the preliminaries while we wait on some of the members to come in. I know that some had commitments. In fact, they had commitments to their visiting constituents that are here concerning the same matter.

This hearing has been called to take advantage of the presence of so many of you, some of whom have appeared before and have cooperated magnificently, and some of us on this side have been trying to be responsive to the needs that you have so eloquently and so graphically and so pointedly made to us in the past.

Even though it does look grim at the moment, we felt that we would take advantage of your presence and provide a forum for this subcommittee whose title is the Subcommittee on Housing and Community Development.

Many times, not only the colleagues, but so many of the citizens forget the full descriptive title of this subcommittee. We take it very seriously and we believe that we have had a very clear-cut challenge from the very outset of this administration though we had faced fragmentarily the same kind of challenges prior to this administration, but never so frontally and so basically a challenge to the programs that had been in place for rural or urban development.

Some of us were trying to protect good programs. We were minority voices and we were trying to point out that sooner or later decisions would be made while the cities and communities, both rural and urban, would be depending on the very allocations of Federal credit resources that could be in jeopardy, and depending on how that circumstance would be met, whether it would be quick or unyielding or whether it would be on the basis of an accommodating schedule.

So we are in the throws of that with respect to revenue sharing. We face a frontal attack. The President in his last two budget presentations has asked us to provide a moratorium of 2 years on all of the assisted housing programs and in effect meaning really the end of the programs because the housing and all that is depending on construction of housing or even the existence of prevailing housing is in jeopardy also because simultaneous with that we have been requested to cut back in this year, really beginning the phasing out of what we have come to know as the CDBG or the community development block grants.

Now anybody that is knowledgeable with the providing of shelter knows that it isn't something that you turn off like a water spigot off and on at will. It is a process, and if you don't have the supportive community services, sewage, water, and streets, all of which today are to some extent or another dependent on the CDBG grant money, then we are talking in riddles when we say that at the same time we are going to have housing. You cannot have one independent of the other.

So we thought we would take advantage of your presence and hear from you to help us at this very critical juncture.

I will say that for the last 2 weeks I have been visiting with and speaking with various representatives of cities, that is municipal and State level officials. What I hear is very disturbing.

Last week, for instance, I met with one group which would be in the midcenter of the country, and from a very popular State and one that has been in the past in the forefront in which the officials were saying well, look, we want to speak with you. We have visited our own Congressman, but we don't want to be quoted. Frankly, we feel that this administration, even with what is left in the way of grant money, would not provide us funds if we are critical.

There is this fear and apprehension. What I don't understand is why the obedient acceptance in silence of actions that a contravention of what the established needs and wants are by these very same officials out of fear when they are getting cut anyway.

I asked each one of these officials well, have you received a grant or are you waiting for one? Well, they were hoping that even the crumbs left wouldn't be taken away.

Well, I do know that we have problems with the administration, particularly in the Department known as Housing and Urban Development. We have had hearings on that very situation. It is very disturbing because, on the one hand, with the draconian austerity that this very same Department has taken the lead in bringing about, that saving has been wasted in maladministration and in out and out corruption.

So that if we could be ensured that the policies that we are being asked to enact would bring about a corresponding efficiency in administration with what remains of the programs, perhaps there would be less resistance, but our sad and dreary experience, and it gives us no pleasure to say so, is that particularly with respect to the Department of HUD that is not the case.

It is one reason why I understand the fear of so many of the officials, and when I say "many," I am not speaking of three or four or five. I am speaking of a goodly number, and it is very disturbing because the history of other nations and the loss of their liberties reflects the same kind of passive acceptance for fear of antagonizing the people in power. This is a sad and dreary history of other nations that we have ended up in, at great cost in blood and treasury, having to fight.

So here in our country I see this very sad experience.

[The opening statement of Mr. Gonzalez and charts follow:]

OPENING STATEMENT FOR CHAIRMAN GONZALEZ

HEARING ON FY 1987 AUTHORIZATION FOR CDBG, UDAG AND ASSISTED HOUSING

IN THE PROPOSED FISCAL YEAR 1987 BUDGET, THE REAGAN ADMINISTRATION HAS LAUNCHED AN UNPRECEDENTED ATTACK ON FEDERAL PROGRAMS THAT HAVE BEEN USED SUCCESSFULLY BY OUR CITIES TO ADDRESS THEIR HOUSING AND COMMUNITY DEVELOPMENT NEEDS. GIVEN THE NUMBERS OF CITIES WITH AGING INFRASTRUCTURES, DETERIORATING HOUSING, LENGTHENING WAITING LISTS FOR ASSISTED HOUSING AND INCREASING NUMBERS OF HOMELESS FAMILIES, THE PRESIDENT'S PROPOSALS ARE IRRESPONSIBLE.

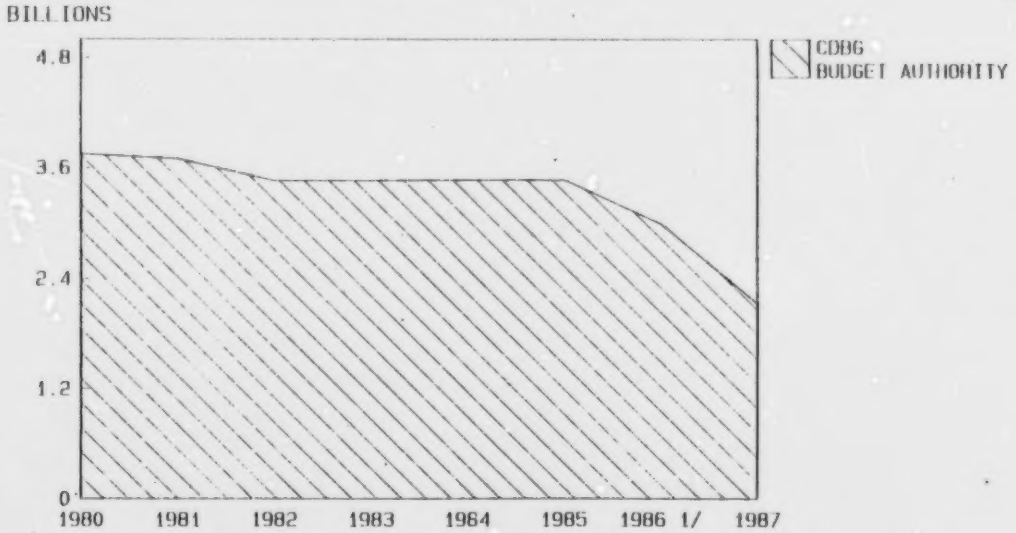
WE IN CONGRESS ARE FACED WITH THE PRESIDENT'S DO NOTHING BUDGET FOR HOUSING AND COMMUNITY DEVELOPMENT: DO NOTHING FOR UDAG, DO NOTHING FOR ADDITIONAL ASSISTED HOUSING, DO NOTHING FOR ELDERLY HOUSING, DO NOTHING FOR RURAL HOUSING PROGRAMS, AND DO NOTHING FOR THE HOMELESS. CDBG FUNDS ARE SPARED--JUST CUT AN ADDITIONAL THIRTY PERCENT. ON TOP OF THE ELIMINATION OF GENERAL REVENUE SHARING, THESE CUTS ARE HEARTLESS WHEN CITIES HAVE SUCH GREAT NEEDS.

I AM CONVINCED THAT CONGRESS CAN DO SUBSTANTIALLY BETTER THAN THE PRESIDENT PROPOSES. BUT WE NEED TO CONVINCE A NUMBER OF OTHER MEMBERS OF THIS AUGUST BODY THAT THE PRESIDENT'S PROPOSALS MUST BE REJECTED. THAT IS WHY I AM HONORED TO HAVE SUCH A DISTINGUISHED PANEL OF MAYORS TO INAUGURATE OUR HEARINGS ON THE FISCAL YEAR 1987 BUDGET. NO ONE CAN TELL CONGRESS BETTER THAN YOU CAN HOW YOUR COMMUNITIES ARE COPING WITH THEIR HOUSING AND COMMUNITY DEVELOPMENT PROBLEMS, HOW OUR FEDERAL PROGRAMS HAVE HELPED YOU IN THE PAST, AND HOW WE CAN WORK TOGETHER FOR A BETTER FUTURE.

I AM VERY HAPPY TO WELCOME OUR DISTINGUISHED WITNESSES THIS MORNING: THE HONORABLE GEORGE V. VOINOVICH FROM CLEVELAND, OHIO; THE HONORABLE JAMES E. ROARK FROM CHARLESTON, WEST VIRGINIA; THE HONORABLE JOSEPH P. RILEY, JR., CHARLESTON, SOUTH CAROLINA; THE HONORABLE MICHAEL BOYLE, OMAHA, NEBRASKA; AND THE HONORABLE WILLIAM D. BURNEY, JR., FROM AUGUSTA, MAINE. I UNDERSTAND MAYOR VOINOVICH WILL BE DELAYED SO LET US PROCEED FIRST WITH MAYOR ROARK.

DD:jvl

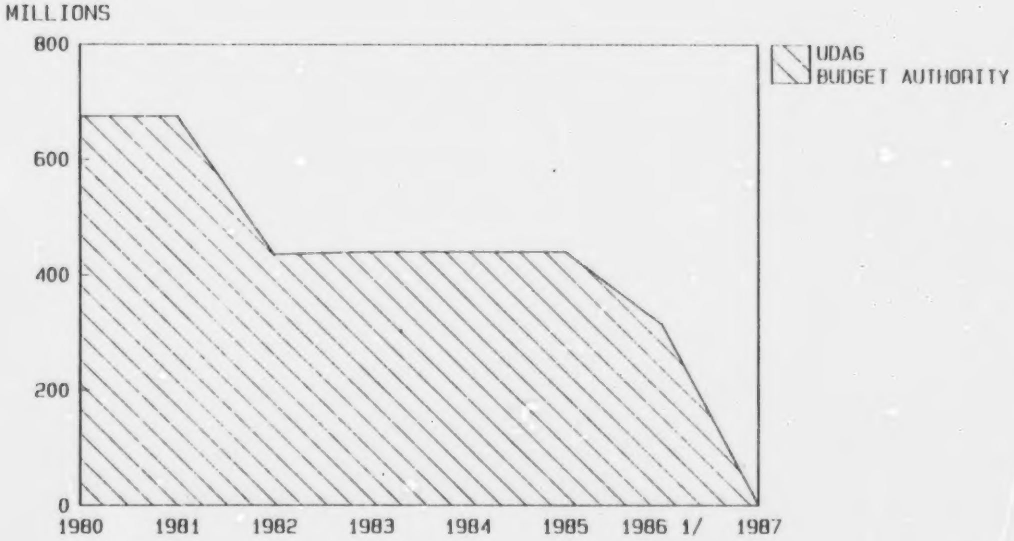
COMMUNITY DEVELOPMENT BLOCK GRANT LEVELS
FISCAL YEARS 1980-1987



Source: House Housing Subcommittee Staff

1/ '86 lev. of $2.990 bil. is after sequestration. Admin. proposes $500 mil. deferral of '86 B.A. to be used with $2.124 bil. new B.A. in '87.

URBAN DEVELOPMENT ACTION GRANT LEVELS
FISCAL YEARS 1980-1987



Source: House Housing Subcommittee Staff

1/ '86 lev. of $315 mil. is after sequestration. Admin. proposes a rescission of $206 mil. of new B.A. & $14 mil. in prior yr. B.A. for FY 1986.

At this point we do want to announce, or I wish to announce that we have the arrival of three of our colleagues, Mr. Parren Mitchell on my right, and Mr. Esteban Torres next to him, and here on the minority side at this time is our good friend from California, Mr. McCandless.

I am going to ask Mr. Mitchell and Mr. Torres and Mr. McCandless if they wish to make any kind of a preparatory statement at this time.

Mr. MITCHELL. Thank you, Mr. Chairman, and a very brief one.

I am delighted that the mayors are here. You are our front line of defense now and, Mr. Councilor, I am glad that you are here.

I have very mixed feelings about your plight. You are caught in between what is now popularly known as the urban terrorism act—[Laughter.]—The Gramm-Rudman legislation, on the one side, and the sheer venal and contumacious attitude that this present administration is demonstrating toward cities.

The chairman is right. It is nothing to be afraid of. If you stand up and speak, you aren't going to lose anything. It is incredible, it strains credulity that the two programs, more than any others, that have brought cities back, many of them, from a slow death are now being threatened by this venal administration.

I admire your courage and I sympathize with your plight, and I know that a goodly number of us in this House are going to fight as hard as we can to preserve these programs. It become ludicrous for the President to run around visiting cities and talking about all that he has done for cities when he is going to cut the cord if he has his way. Our job is not to let him cut the cord.

I admire you for your courage and I thank you for being here, all of you.

Chairman GONZALEZ. Mr. Torres.

Mr. TORRES. Thank you, Mr. Chairman.

Only to echo your own statements and those of my colleague, Mr. Mitchell, I am looking forward to hearing from our host of witnesses and, moreover, welcoming them to this event. I think it is an important one for all of us here in the House.

Thank you.

Chairman GONZALEZ. Mr. McCandless.

Mr. MCCANDLESS. Thank you, Mr. Chairman.

Having in another life spent it as an elected official of a lower level of government, I have a certain amount of sympathy for your position. I would not necessarily be a complete supporter of my colleagues' statements because we have had a direct experience such as this in California where referred to finally as proposition 13.

All during that period prior to proposition 13 and shortly after everyone said that California was going into the Pacific Ocean and that local government would be in financial disaster.

It is interesting to note how financially sound the government is currently and the fact that it didn't fall into the sea. What it did was to bring out the best in all of us and make it more efficient.

Too many times, in too many places and in too many areas the people who run local government can become complacent and feel that they can't get along with something and therefore it will fall apart.

I would suggest that we no longer have revenue to share. We have deficits to share as a beginning point. I would not be strong enough to say that there isn't some place in which the system operates that the Federal Government doesn't have certain responsibilities.

The basic problem we have today is that the Federal Government has been the court of first resort rather than last resort as we have developed our cities and countries and as the population has grown, and as a result we find ourselves with certain situations which we wish we didn't have, but we have, and now we are going to have to take another look at.

Thank you, Mr. Chairman.

Chairman GONZALEZ. Ms. Oakar.

Ms. OAKAR. Thank you, Mr. Chairman.

Mr. Chairman, I think this is really an important hearing. I am delighted to see the mayors who are here. I understand that the mayor of the city of Cleveland is going to be here, as well, in a few minutes.

I am a former city councilwoman of Cleveland. I remember when I was councilwoman and during my freshman year as a member, here, that we had the entre of urban development action grants. We had community development grants when I was still a councilwoman.

I can't tell my colleagues how important these programs are to cities. With the assault on revenue sharing we are seeing an abandonment of an urban policy in this country. We all are very concerned about the rural areas of our country, but we cannot forget the urban areas.

When you think of community development block grant money, which is flexible money to a certain degree but with certain guidelines that mayors and councilors and community groups use; and when you think of how urban development action grants involve the business community in a hardy marriage with the local government and the Federal Government along with the community at large all working together toward creating jobs or sustaining jobs and sustaining and improving the community. I think it is penny wise and pound foolish, and when compared to the entire budget this is minuscule.

I know we have to solve the problems with the deficit, but I suggest to my colleagues that the deficit is not caused by these kinds of programs. It is caused by the unbelievable huge expenditure in pentagon spending and tax loopholes that some of us would like to see plugged up. The deficit is not caused by the Community Development Block Grant Program or UDAG.

When you have a good program, which Republicans and Democrats support, why do you want to abandon these kinds of programs? It is just really bizarre to me.

I think that having mayors come in and express their concerns and what these programs have meant to their communities from all over the country without respect to one region or another, which is a wonderful cross-section that you have developed here, Mr. Chairman, is so very important. We need to hear from grassroots America about these programs.

Mr. Chairman, my mayor is coming. Unfortunately, I will be having to chair another committee hearing in a few minutes, but I just wanted to ask you on behalf of myself, if I am not able to be here when my mayor is here, to express my delight that he is here. He has been an ardent spokesman for urban America. We are of different political parties, but he believes strongly in these programs.

I think it is an important hearing and I am hoping that we can work together to save these programs.

Thank you, Mr. Chairman

Chairman GONZALEZ. I would be glad to, Ms. Oakar. In fact, we will advise you, and if you are able to leave, we will have you introduce your mayor.

Ms. OAKAR. Thank you, Mr. Chairman.

Chairman GONZALEZ. Gentlemen, thank you very much for attending this hearing this morning.

If any one of you has any kind of a time problem, that is you have scheduled to meet with an airplane departure, we will recognize you first, if there is no objection. But, if not, is there any objection if we proceed counterclockwise and begin with Mr. Roark, and then Mr. Riley.

Mr. Roark.

STATEMENT OF HON. JAMES E. ROARK, MAYOR, CHARLESTON, WV

Mayor ROARK. Thank you, Mr. Chairman, and members of the committee.

I am James E. Roark, mayor of Charleston, WV. I also serve as chairman of the Community and Economic Development Policy Steering Committee of the National League of Cities [NLC]. I am accompanied by Reginald Todd, legislative counsel at NLC.

NLC represents over 15,000 municipalities through our network of State municipal leagues and over 1,000 direct member cities.

I appreciate the opportunity to appear before the subcommittee on behalf of my city of Charleston, WV, and the National League of Cities to express our support for maintaining a strong rule for the Federal Government in addressing the housing and community development needs of our Nation's cities.

Mr. Chairman, with permission, I would like to introduce for the record the National League of Cities priority statement which was adopted just this weekend which outlines the priorities of the Nation's cities. Three of the seven priority programs are programs that are within the purview of this committee, that being the community development block grants, UDAG, and low-income or assisted housing.

Chairman GONZALEZ. Hearing no objection, it is so ordered, and your statement as prepared and given to us—and I wanted to thank you for giving it to us in ample time to read and study it—will appear in the record at this point.

[The priority statement of the National League of Cities presented by Mr. Roark can be found in the appendix.]

Mayor **Roark**. The administration's fiscal year 1987 budget proposals call for significant changes in the funding operation and continuation of these programs.

Mr. Chairman, if I may, I would like to discuss some of the program reductions and changes in the broader sense, and then give details on how those proposals specifically affect my city of Charleston.

On November 25, 1985, the President signed the fiscal year 1986 HUD appropriation bill which funded the Community Development Block Grant Program at $3.125 billion, which was a 10-percent reduction from the fiscal year 1985 level.

On March 1, 1986, CDBG funds were reduced an additional 4.3 percent as required under the Gramm-Rudman-Hollings legislation.

Under its fiscal year 1987 budget the administration proposes to defer another $500 million of fiscal year 1986 appropriated funds, which would mean an overall reduction for CDBG entitlement communities of over 30 percent from the fiscal year 1985 level, leaving only $2.49 billion for CDBG in fiscal year 1986.

For fiscal year 1987 only $2.1 billion in new funding for the CDBG program is requested with the administration assuming the availability of the $500 million in deferred fiscal year 1986 CDBG funds for a total program level of $2.6 billion.

Additionally, the administration proposes to justify the reduced funding in fiscal year 1987 by submitting to Congress legislation to target funding to entitlement communities "with the greatest need."

The plan also proposes changing the current 70/30-percent allocation between entitlement and nonentitlement communities to 65/35 percent. The proposed reallocation assumes the termination of over $600 million in Farmers Home Administration rural community development programs which are to be carried out with about $100 million in additional funds to the nonentitlement portion of the CDBG Program.

NLC strongly opposes the proposed funding reductions in the CDBG program. In addition, we commend you, Mr. Chairman, and the other members of the committee who cosponsored House Joint Resolution 513 to disapprove the CDBG deferrals and other drastic program reductions and terminations in assisted housing and UDAG requested by the administration.

As you know, in conjunction with others, including members of this committee, NLC has filed a suit to challenge the constitutionality of these draconian deferrals proposed by the administration. These proposed reductions and program changes come at a time when more and more is being demanded of less and less CDBG funds.

I would like to give you my perspective on behalf of my constituents of how important CDBG is. Charleston, WV, is a community of 64,000 people situated in the Kanawha Valley, the center of a metro population of more than 269,000 people, or about 12 percent of the State's population. We are the State's capital, with an economy based on wholesale and retail trade, health services, government, and manufacturing.

I might also add that we are, along with our State, have led the Nation in unemployment over the last 4 or 5 years.

In 1985 Charleston received $2,243,000 in community development block grant funds. Of that, $755,000, 33 percent, went toward direct contact housing programs. It is the lion's share of our CDBG spending that I would like to address this morning and the effects of Gramm-Rudman-Hollings and the administration's proposal to defer $500 million in CDBG payments.

The scenario now under consideration will mean a loss of $673,000 in CDBG funds to Charleston and a reduction of approximately 30 percent. The greatest impact will be felt in our housing assistance programs, but funding for street improvements, public safety, the purchase of ambulances and fire trucks, infrastructure, bridges, street improvement, and economic development will be hard hit.

In the depressive atmosphere of high unemployment, such as the 20-plus-percent levels we have seen in many areas of West Virginia, and the loss of funding through cuts in general revenue sharing and other programs, local officials are left little choice in structuring creative local responses to replace dwindling Federal dollars.

In 1985 the Charleston Housing Improvement Program, the CHIP Program, afforded 50 low-income homemakers low-interest loans to renovate their homes. Since 1983, 135 low-income homeowners have utilized this program to bring homes to safe and sanitary standards.

We project only 35 homeowners will be eligible to take part in this do-it-yourself program which has improved the quality of housing for sectors of our population often left to substandard and/or deteriorating neighborhoods.

An added benefit to this program has been the active participation of minority contractors underlining the public/private partnerships aspects of this program. The CHIP Rental Rehab Program in 1985 allowed owners of rental property to bring their units and apartments up to standard, safe, and sanitary housing for low-income citizens, 40 units at a cost of $150,000. Projected 1986 budget cuts in CDBG funding will eliminate this program.

Charleston was able to leverage 1984 and 1985 CDBG funds in a joint economic development housing venture that saw 52 rental units, including 11 units for low- to moderate-income tenants and 50 townhouses for ownership constructed within a two-block walk of Charleston's central business district.

Part of that $200,000 program is still being utilized to assist in the construction of 12 townhouses for ownership by low-income families in an area of Charleston where no one predicted housing would be seen again and an area in which we have been trying to bring housing for the last 10 years. Future projects appear unlikely to impossible because of CDBG cuts.

Using $120,000 from 1984 to 1985 CDBG years, we were able to respond to the needs of Charleston's homeless, providing shelter and hope for 50 to 60 men each night and the growing numbers of women, children, and families left to wander on city streets. We are thankful that we were able to act then rather than face the needs of the homeless in 1986 without even a roof and four walls to shelter these citizens less fortunate than ourselves.

Further assistance to maintain these programs is directly dependent on the shrinking size of the helping hand from Washington often through CDBG funding for most communities. The city adds $100,000 to the Comprehensive Improvement Assistance Program, the CIAP Program, to renovate old public housing projects.

These CBDG funds combined with direct HUD payments to the Charleston Housing Authority enable these old buildings to continue their service for thousands of low- to moderate-income families. We estimate the need of $4.5 million over the next 5 years to keep our existing public housing safe and affordable.

I would just point out that one of the first public housing projects in the country was finished in 1937 in the city of Charleston within eyesight and tossing distance of our newly renovated downtown area. That is the kind of money we are talking about to keep existing public housing safe and affordable.

Additionally, Charleston utilizes unemployed workers hired on a seasonal basis to paint houses of low- to moderate-income homeowners. During 1985 18 workers painted 55 units on a budget of $70,000. This program will be eliminated because of CDBG cuts.

Also on the chopping block is a Housing Replacement Program begun in 1985 providing loans to low-income homeowners to purchase or construct housing units to replace severely dilapidated units that cannot be repaired.

Other cuts in the Charleston Housing Authority programs would include: section 8 existing—no units expected in 1986. We received 400 transfer units last year from the West Virginia housing development fund and no new units have been received in the last 3 years.

The Moderate Rehab Program providing 15-year leases to landlords who rehab and rent units to low-income tenants, 165 units received in the past 3 years and no units expected in 1986.

Vouchers—the administration's highly touted Voucher Program, 20 vouchers received last year and none expected for 1986.

The bottom line in Charleston is the same as that faced in many other communities: low- and moderate-income people already receiving the assistance needed to keep their living conditions, specifically housing, at a minimum acceptable level will find it increasingly difficult to keep pace with their more fortunate neighbors.

Programs aimed at providing the safety net under "The Safety Net" provided by the Federal Government's assistance levels are being eroded. The myths of municipalities flush with money and unused taxing authority are simply that. They are myths and they are not true. We all balance our budgets each year because we must. State law and city charters mandate that.

As far as proposition 13 is concerned, in the State of West Virginia we had our proposition 13 in 1933. Charleston, like all of West Virginia's 234 municipalities, does not have home rule. We do not have omnibus taxing authority, but rather must look to the largesse of a rural dominated legislature to increase local taxing authority.

We are, as you will, between a vice with decreasing Federal funds, on the one hand, and the inability so far of the State Legislature to address our needs, on the other. We can only cut jobs and services while our citizens are buried in mountains of press releases from the State and Federal Government claiming credit for balancing the Federal budget.

I urge your full and compassionate review of program cutbacks proposed for 1987 and the effect of plan deferrals and rescissions of promised 1986 funds such as the administration proposes.

NLC strongly supports a 3-year reauthorization of the CDBG Program which expires on September 30, 1986. We urge that the major components of the existing CDBG Program be retained, including principal benefit to low- and moderate-income persons, the current 70/30 allocation of CDBG funding and the continuation of the Farmers Home Administration Rural Development Programs.

In addition, we oppose the administration's proposed rescission of authority and termination of the Section 108 Loan Guarantee Program and the Section 312 Rehabilitation Loan Program.

The 108 Loan Program has proved to be an important tool which permits entitlement communities to finance major capital improvements by pledging their CDBG funds as security against the loan guarantees.

The Section 312 Program has served a full range of local rehab needs, including single family and multifamily structures and is currently operating with repayments from prior obligations.

URBAN DEVELOPMENT ACTION GRANTS [UDAG]

For fiscal year 1987 the administration again proposes the termination of the UDAG Program, once characterized and highly touted by it as the perfect example of public/private partnership.

In Charleston, WV, it was the picture perfect example in that we took a $15 million UDAG and leveraged over $100 million in total project funds to take urban renewal land and turn that into the largest all enclosed innercity shopping mall facility in the country when it opened in November 1983, and that has meant hundreds of jobs to an area where jobs are sometimes as scarce as the concern and feedback we get from our State government as well as from the present administration. In addition, the administration also seeks to rescind some $206 million of fiscal year 1986 appropriated UDAG funds.

NLC strongly opposes the proposed reduction and termination of the UDAG Program and supports a 3-year reauthorization of UDAG which expires on September 30, 1986. It has a proven track record of job creation and economic revitalization in our Nation's cities.

As you know, NLC supports changes in the UDAG selection criteria to ensure that all UDAG eligible communities have a reasonable opportunity to compete within the program. We commend the efforts of this committee to incorporate changes in the UDAG selection process and criteria in the budget reconciliation legislation which died in the last session of Congress.

We urge you to redouble your efforts to maintain and broaden the political support for the UDAG Program by again acting quickly to include the UDAG selection changes in the first available legislative vehicle in this session of Congress.

HOUSING ASSISTANCE

Perhaps the most callous and cynical of the administration's proposals for fiscal year 1987 is its assisted housing budget programs which have sustained reductions in excess of 60 percent since 1981, would receive no new funding in fiscal year 1987. Instead, the President proposes to rescind $4.4 billion of the $10.7 billion of available fiscal year 1986 appropriations and defer another $2.3 billion of fiscal year 1986 funds until fiscal year 1987.

An additional $429 million in fiscal year 1986 housing moneys was cut on March 1 to meet the requirements of Gramm-Rudman-Hollings. As a result, only $3.7 billion of the $10.7 appropriated for fiscal year 1986 would be available for housing assistance.

In addition, the administration proposes to terminate all Farmers Home Administration rural housing assistance in fiscal year 1987 and rescind $700 million of fiscal year 1986 funds appropriated for rural housing programs resulting in only $1.5 billion available for rural low-income housing.

The only housing assistance proposed by the administration for fiscal year 1987 would be 50,000 housing vouchers to be administered by HUD and split evenly between urban and rural areas.

These drastic funding reductions in assisted housing occur at a time when Federal urban policy and most particularly Federal housing policy has become dominated by Federal tax policy. Tax expenditures for housing now overwhelm direct Federal housing assistance, but lack both your policy scrutiny and any budget scrutiny. They provide benefits to those least in need.

It concerns me, for instance, to note that last year the Treasury estimated that the deficit was increased some $1.2 billion due to mortgage interest deductions taken by Americans to purchase vacation homes. That amount would automatically increase under the President's 1987 budget proposal in sharp contrast to the virtual elimination of all public housing and housing assistance for low and moderate income households.

Housing policy is housing policy, whether it is manifested through the direct expenditure programs or the Tax Code.

We urge Congress to focus more attention on the relationship between expenditures and direct expenditures for housing assistance in order to provide a more systematic and comprehensive framework for Federal housing policy.

NLC strongly opposes the administration's efforts to end the Federal role in providing housing assistance to those who are most in need and who cannot obtain or retain safe, sanitary and affordable housing without such assistance.

During the last 5 years we have experienced an increase in poverty throughout this Nation. Today one in four children in the United States is born into poverty. Increasingly with the Federal cutbacks and the means-tested entitlement programs, as well as low-income housing, the homeless and the hungry have turned to local government to provide assistance.

In city after city after city across this Nation there have been annual increases in the numbers of Americans without adequate shelter or nutrition. The HUD budget proposal offers no initiatives and no hope for these people. It promises to put more and more desperate Americans on our streets.

In the past 5 years almost all cities have raised local taxes and user fees while cutting employees and services. At the same time as more and more families have fallen through the safety net, cities have become the place of last resort containing our greatest housing problems.

While the Congress rejected the New Federalism proposals, the successive cuts in State and local assistance have made it a reality with one major difference. As proposed, the New Federalism would have created revenue sources for State and local governments to assume these former Federal responsibilities.

President Reagan's budget proposal provides no such revenue sources. We urge the committee to reject the administration's proposed housing budget and in its stead provide a comprehensive housing program for low and moderate income households including production, rehabilitation, housing for the elderly and handicapped and funds to maintain our existing stock of public housing and address the needs of the homeless.

I would just close with this observation.

If we truly believe that the worth of an individual in this lifetime is whether or not they make the place they call home better because they have been here, we need your help and we need all to work together to make our cities better, and by making our cities better making our country better for our all having been here.

Thank you, Mr. Chairman.

[The prepared statement of Mayor Roark can be found in the appendix.]

Chairman **Gonzalez**. Thank you very much, Mayor Roark.

That is an excellent statement. We have responded. We have attempted to. We have seen measures that we thought would fit a very special need, for instance the Home Mortgage Emergency Assistance Program. The House passed it out. We passed it out of our committee. It was strictly a partyline vote.

We did manage to pass it out of the House, but it languished and died in the Senate where we haven't been able to overcome that obstacle.

At this moment I will say in passing on the comments you have made at this point that we are grateful for you recognizing the House joint resolution that we passed, but unfortunately it is not within the substantive committee's jurisdiction to undo a deferral. It's an appropriation issue. But the happy note is that the chairman of the Subcommittee on Appropriations that has jurisdiction on these matters, Mr. Boland has indicated to me that he is doing his part to overcome the deferral request by the President. He is strongly opposed to it.

Also, we have a request, and we will be appearing before the Rules Committee tomorrow afternoon, on behalf of what we call H.R. 1, which is authorization which would be responsive to your last plea and request.

We do live in strange times in which a giant hand of blight is attempting to suffocate a still dynamic and growing country. If we, the Representatives of the people, are just half way responsive to what we obviously witness are the needs, we will succeed in at least partially responding to your plea.

I would like to announce the presence now of some additional Members of the committee that are here, Mr. Kleczka from Wisconsin and Mr. Kanjorski from Pennsylvania and Mr. Wortley from New York on my left.

Welcome aboard, gentlemen. We will come back as soon as we finish with the witnesses.

Mr. Riley.

STATEMENT OF HON. JOSEPH P. RILEY, JR., MAYOR OF CHARLESTON, SC

Mayor RILEY. Thank you very much, Chairman Gonzalez, and members of the committee.

I am here today testifying on behalf of the National League of Cities of which I am a member of the advisory board and as vice president of the United States Conference of Mayors.

I thank you again for this opportunity to present the needs of the American cities to you who have been the real leaders and champions of these needs over the years. I thank you at the beginning for your support and authorship of the resolution to disapprove the deferrals.

I would ask that my statement, which has been prepared, be accepted into the record, Mr. Chairman, and rather than read the statement this morning, I will speak from some notes that I have prepared.

Chairman GONZALEZ. Without objection, so ordered.

Mayor RILEY. The first part of this testimony could be called the Tale of Two Charleston's, Charleston, WV and Charleston, SC.

One is a city perhaps more linked to the Northeast and the mountains and hills and coal mining and steel industry of the Ohio River Valley, and the other in the now so-called Sun Belt of our country.

Mayor Roark is a Republican and I am a Democrat. The point is that among the cities of our country now there is no Sun Belt, Frost Belt difference or position. There is no Republican or Democratic position. There is no liberal or conservative position.

You will hear from Mayor Voinovich, a Republican and you will hear from the three of us Democrats and you will not note a bit of difference in what we are saying. The mayors of our country are united in saving our cities.

The President's 1986 proposed deferrals and rescissions and the proposed 1987 budget are nothing short of a continued all-out attack on the American city and the Federal city relationship and a partnership which has been so important to our country.

This attack, at worst, is based on, and using my Republican colleague's terms, callousness or cynicism on the part of the administration, or in my words, at best a woeful ignorance of the facts of urban America.

We are told to rebuild our cities and our deteriorated neighborhoods and central business districts with our resources, the resources that lie within the city, and we are told that the general improvement in the economy will lead to the rebuilding of our cities.

I wish I had a diagram to use, but I will do it just sitting here. The facts of the matter are, and this has been the basis of your Federal/city partnership, that in America you have the central city. Let's say that is the central city. My central city is one/sixth or 16 percent of the population of the metropolitan area.

We are told and we all know that beginning in the thirties the caravans passed. Those who could afford left the central city for rural America and the poor emigrated in to the havens of the central city.

In the metropolitan area now we have for the most part the well to do and in the central city we have the poor. In the metropolitan area we have the country clubs and in the central city we have public housing. In the metropolitan area we have the regional shopping malls and in the central city we have the declining neighborhood shopping areas and declining central business districts. In the metropolitan area we have the new plants and industries, and in the central city we have the abandoned factories and manufacturing buildings.

The resources that are in existence to rebuild our cities for the most part lie without the central city. So we don't have the resources to rebuild our neighborhoods and rebuild our central cities.

But in addition to that, Mr. Chairman, and members of the committee, further adding to that imbalance is the fact that within the central city lie the core of the quality of life for the metropolitan area for which they are very dependent.

In central city are the colleges and universities that serve the entire metropolitan area. In the central city are the hospitals and the clinics that serve the metropolitan area. In the central city are the art galleries and the museums that create the quality of life for the central metropolitan area. In the central city are the arts festivals that serve the metropolitan area.

In the central city are the public squares and parks that give creativity and quality to the metropolitan area. In the central city are most of the tax-exempt entities that the central city services, that the police departments serve, that the fire departments serve, that the sidewalks need to be fixed adjacent to, that the street lights need to be repaired, that the central city operates that serve the country clubs, that serve the well to do in the metropolitan area.

So we have an America where the central city is not where the resources of our country are any more, but in addition, our Nation is asking the central city to provide the quality of life for the metropolitan area. So the bottom line is that the resources exist not within the central city, but they exist within the wealth of our country as a whole.

A writer wrote a few years ago that America is an interesting Nation. There is great wealth on the national level and there is great poverty on the local level. And as luck would have it, everybody lives on the local level.

So if we are told that we must rebuild our declining neighborhoods and our central cities with the resources of a strapped city that is asked to provide a quality of life for the metropolitan area, it just can't happen. There is not one piece of evidence in our country, there is no report that has been issued or that has been authored that says that the American central city has the resources to create the kind of cities that the United States of America would be proud of.

So the policy of the administration at best is blind to the realities of the existence of the American cities.

The Community Development Block Grant Program has been for my city the core of our Marshall plan, and it has been cut 56 percent, not inflation dollars, but real dollars. We now get 56 percent of what we got in 1979 and 1980 while the cost of rehabbing houses has probably doubled.

The Community Development Block Grant Program, section 312, section 8, rental rehab, public housing modernization and new public housing funds have been the basis for our Marshall plan, and every central city in the United States needs a Marshall Plan.

As Robert Kennedy said when he was a Senator from New York and perhaps understood more graphically for the first time the plight of the inner city, he said that the history of our civilization until now had been the history of community and neighborhood. The thousands of invisible strands of affection and respect that tie men to their fellow man, but now the child of the inner city in America is not a resident of a community or a neighborhood, but the resident of a vast gray undifferentiated slum.

COMMUNITY DEVELOPMENT

So with the Block Grant Program we embarked on a Marshall plan. Why is it OK for the United States of America to support Marshall plans in Germany or now to have more money going through foreign aid to cities in foreign nations than to our own cities in the United States of America?

And it is important that we do not allow anyone to blame the current Federal deficit on urban programs. For since 1979-80 urban programs funding have been cut by 50 percent during which time the deficit has tripled.

It has trebled during a period of time that urban aid for American cities has been cut by 50 percent. So there is no one that can say that the reason we have a Federal deficit, a huge Federal deficit, is because of these urban programs. That is not true. The urban programs, if everything else had been cut the way urban programs had been cut, there would be a huge surplus in our country.

In the city of Charleston, we have our East Side, which was our poorest section, almost exclusively occupied by minority residents with pockets of unemployment exceeding 25 percent and with housing and commercial deterioration that was permanently scarring our city.

We have, using the Community Development Program, rehabbed 500 housing units, not with the bulldozer, but keeping the fabric of the neighborhood and restoring that for the people who live there and not for other people to move in, stressing home ownership and fostering pride in the neighborhood, we have restored 500 housing units and 1,500 new jobs.

We had an abandoned manufacturing plant in a section of our city that no one would invest any money in. Using block grant money, UDAG money, and EDA money we rebuilt that area. That abandoned manufacturing plant now is a business and technology center. It has 121 businesses in it and 40 percent of those are women or minority owned and 600 residents formerly unemployed are now working in that area and it is spreading.

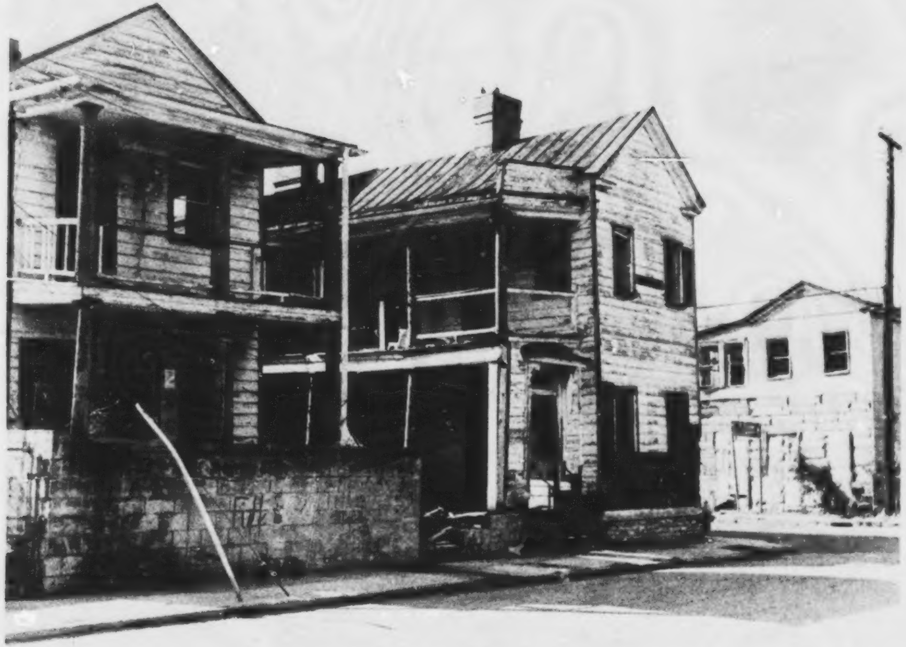
We have a closed automobile dealership, like a lot of rundown areas of cities of our country have now. Because of the business and technology center and because we used some UDAG repayment to set up a seed and venture capital fund, we have a new minority business in that closed automobile dealership making storm doors and storm windows, and 90 percent of the employees in that new minority business are formerly unemployed residents of our East Side

In 1980 we rehabbed 107 units using our block grant money. Last year we rehabbed 38. This year with the cuts we would be lucky to do 20, and next year we would be lucky to do 15.

And I have brought some more pictures, like I did last year. And this isn't in Central America and this isn't in Africa and this isn't in any place but in the East Side of the city of Charleston and there isn't anyone on this committee or in the United States of America that will say that that is the kind of housing that we want Americans to live in or that is the kind of structures that we expect to have in our cities.

[The photographs referred to follow:]

In the past, CDBG and UDAG funds have played a central role in community and economic development. The proposed limited funding of UDAG and CDBG programs would make badly needed rehabilitation of business and housing structures, such as the ones in these photos taken in Charleston, South Carolina, difficult if not impossible.



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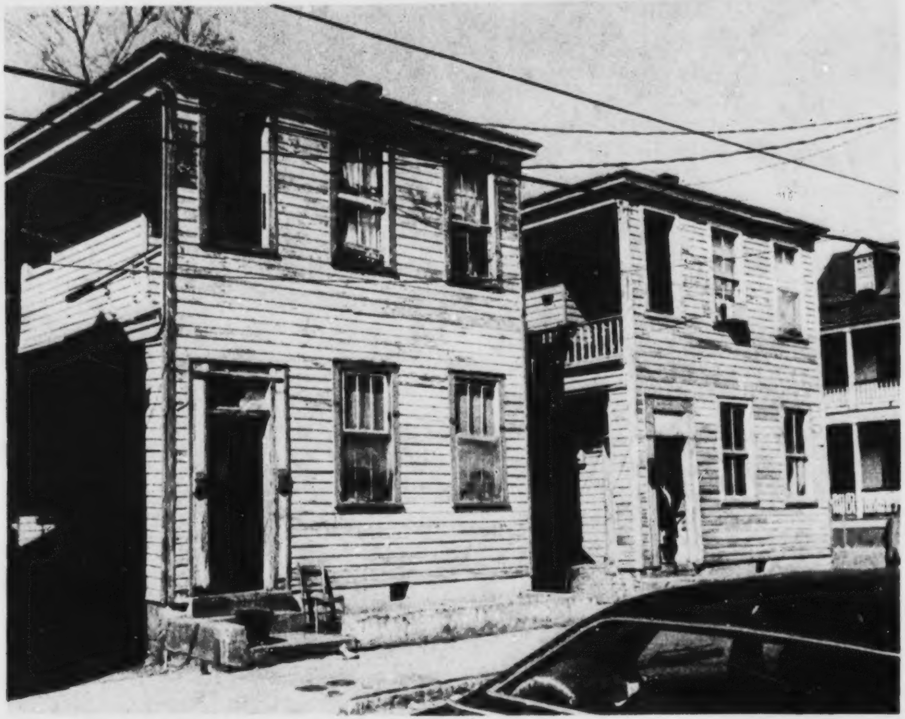

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Mayor **Riley**. The Rental Rehab Program works wonderfully. You talk about public/private partnership. It seems that these terms are good generally, but when you get down to specifics they really don't mean anything. Rental rehab is a fine example of public/private partnership. We used some of our CD community development money to strengthen investment in the area and required a provision that the housing had to be for low- and moderate-income residents so we wouldn't be moving people out. We restored 82 units with rental rehab. That will be all gone.

DO AS YOU CHOOSE ALLEY

Every city has had a Do As You Choose Alley. That was a name of a part of a ghetto in Charleston, a series of concrete block buildings and a breeding ground of crime according to our county prosecutor. Everybody knew where Do As You Choose Alley was. People were afraid to go there and the housing was terrible.

Using section 8 and section 312, a black church in the neighborhood acquired it, restored it and Do As You Choose Alley now is not only safe, but it is attractive housing. A scar and a ghetto has been removed from the area. Without the section 8 and without the section 312, with which we had done a couple hundred units, we lose those kinds of opportunities.

We received new public housing units several years ago and the housing authority said that is great. We are going to get us another housing project. And I said well, let's try something else. Let's don't use it for housing projects. Let's scatter the public housing units around the city so that the residents of those housing units are residents of homes and not of a project.

We have won national design awards. The public housing units under that program are now many of the most handsome dwellings in those sections of our city. You can't tell which is public housing. They are handsome and they were each designed individually to blend in with the neighborhood. There will be no new public housing money in our country, and we have over 700 units of existing public housing in a serious state of deterioration that won't be modernized or rehabbed.

We have used the UDAG and the section 202 programs to help our citizens. I have an elderly friend that I met just because she was interested in the city. She comes to everything, all the arts programs, and she lives in a section 202 housing unit. My wife and I when we see her at an arts activity we always ask her if we can drive her home. She lives alone.

She lives in a section 202 elderly complex, and I burst with pride as an American citizen every time I take her home and think that at least this country has made provisions for these elderly citizens. She lives in pride and she lives in dignity and that is what is great about our country.

There will be no more section 202 housing for the old citizens of our country under this proposed budget, and the UDAG Program has created 2,500 new jobs in my city and a majority of those for minority citizens most of whom were formerly unemployed creating $85 million in new development for rebuilding the heart of our central business district.

We have one UDAG that if the program isn't cut and is funded would create 1,700 new jobs, with a majority of those minority jobs and $44 million in new development. We have a minority business developing and facilitating working because it will create an opportunity for a lot of small businesses.

We are affirmatively working to try to create a number of minority businesses and it will rebuild an old edge of our city along the waterfront which serves not just my city, but will be a major amenity for the entire metropolitan area. Without the UDAG Program it cannot be done.

In conclusion to follow up on one of the points Mayor Roark made, we thank the committee for its support of the UDAG criteria change. Any formula or criteria which is objective can end up being arbitrary.

The criteria that was adopted over 2½ years ago really doesn't always fit, and it isn't a Sun Belt/Frost Belt issue. Washington, DC, San Francisco, CA, Evansville, IN, Fort Wayne, IN, and Pittsfield, MA, Provo, UT, Charleston, SC, Los Angeles, Birmingham, and Memphis and a host of other cities fare poorly under the current criteria because one of the provisions things is the percentage of manufacturing jobs you have lost. That is a good criteria in the Northeast.

In Charleston we didn't have any manufacturing jobs to begin with. So we haven't lost any. The change in the criteria will allow the program to be participated in more equitably by currently eligible cities. We think that will strengthen the ability of the program to continue.

If I may, I would like to close with a couple of points.

One is a story. With all these programs and numbers and dollars and groups of people, we have to continually force ourselves to remember that we are dealing with real people.

Several years ago I was talking with the then president of our chamber of commerce and he said, our maid, our domestic servant is a great admirer of yours. Well, I felt very good about that, and I said what is her name, not thinking that I knew this person, and he told me her name.

Well, the job of maid or a domestic servant is a very important one, not to denigrate that. But there is a spirit in our country that everyone at least should be able to achieve what their abilities allow them.

Well, I was floored because he mentioned the name of a person who was very politically active that I knew that she had extraordinary leadership ability, was very smart and creative and very effective politically in her neighborhood and her community. And I said to myself that is tragic because what that shows is her horizon of what she thought she could achieve being a resident of our East Side and being a single female head of household and being poor. She thought that was the best that she could do. For many people that is fine, and that is the best they can do. But she had enormous ability.

Well now in this Business and Technology Center Program that I mentioned she now has a great job there. Using her skills and her leadership she is a real force in what is happening in that community. Without the UDAG Program and without the Block Grant

Program she would never have had the opportunity to reach her maximum potential.

We are now told as Americans that this is a question that we should ask ourselves every year I guess on New Year's Day. Am I better off than I was a year ago?

For most of our country's history the question we asked was is our country better off or our cities better off, are other people better off than they were a year ago? This proposed budget and the rescissions are a reflection of the policy of am I better off.

The work of this committee and hopefully the will of Congress will be a return to the question is our country better off.

And, in conclusion, we need not support Federal/city partnerships or urban programs out of blind altruism. We can support it out of basic economic self-interest for our country.

We are now an urban Nation, like it or not, the most urban Nation in the world. And even in my lifetime we have moved from the crossroads of America generally to within the orbit of the central city and the metropolitan area.

Everything indicates that the success of our Nation's economy will directly relate to the strength of the American city.

Jane Jacobs the great urbanist who spoke in 1960 of the death and decline of the American city was global in its impact wrote another book a year and a half ago entitled "Cities and the Wealth of Nations." And her point is that there isn't a national economy in terms of production levels. The Chinese and the Russians have proved that doesn't work, 5-year plans and 10-year plans.

The economy is the economy of cities, what cities can produce, their creativity, the stimulus. What happens in cities is what makes a national economy move forward.

And she ends her book, and I will end, if I can quote:

> Let us fantasize a big experimental system in which we are all included. Information feeds back into that system and from time to time the burden of the feedback is that such and such a society has allowed its cities to languish, or that in such a civilization the cities are already well down the drain
>
> The feedback seems to operate on the premise that people who relinquish the civilized art of maintaining creative cities are not to be entrusted with the risks of developing further.
>
> This fantasy is not entirely a metaphor,

She concludes:

> If we strip it of the judgmental word "entrust," we are left with the hard, plain truth. Societies and civilizations in which the cities stagnate don't develop and flourish further. They deteriorate and we must not let that happen to our country.

Thank you very much.

[The prepared statement of Mayor Riley can be found in the appendix.]

Chairman **Gonzalez**. Thank you very much, Mayor Riley, for again a most eloquent presentation.

Of course, I appreciate your communication on a sustained basis that you have had with us and the committee.

Mayor **Riley**. Thank you, sir.

Chairman **Gonzalez**. We have had an addition of another member of the subcommittee, Mr. Carper from Delaware, and the departure of two who were here, Mr. Frank from Massachusetts and Mr. Kanjorski had to leave. We have another arrival, one of our most active members of the subcommittee for a few years here from the great State of Minnesota, Mr. Bruce Vento.

I will say that if you had mentioned that Mr. Roark was a Republican, I was putting him down as a brass collared Democrat from his statement. [Laughter.]

Mayor Boyle.

STATEMENT OF HON. MICHAEL BOYLE, MAYOR OF OMAHA, NE

Mayor BOYLE. Chairman Gonzalez and members of the committee, my name is Mike Boyle, and I am the mayor of Omaha, NE, and president of the Nebraska League of Municipalities.

After hearing the two eloquent speeches from the mayors of Charleston, I was going to pose or at least suggest that I was from Charleston, NE [Laughter.]

But there being none, I am from Omaha.

I appreciate the opportunity to testify before the subcommittee on a subject of urgent concern to America's cities, the status of community development funding.

The President has proposed significant reductions in community development funding for fiscal year 1986. The most important of these reductions includes deferral of $500 million in already appropriated CDBG funds and the rescission of the Section 312 Rental Rehabilitation and Urban Development Action Grant Programs.

The proposed 1987 budget brings continued reductions in CDBG and elimination of the Section 108 Loan Guarantee Program. The continued reduction of these vital programs sharply limits the ability of cities to maintain their older neighborhoods.

The city of Omaha, for example, received $5.9 million in CDBG funds in 1980. If the President's proposed deferral of CDBG funds is not reversed by Congress, this amount will be $3.3 million in 1986.

We have adjusted over the years by leveraging large amounts of private investment. This increased resourcefulness has benefited us greatly, but it makes the pending reductions that much more insidious. Each dollar reduction in CDBG funding in Omaha no longer just reduces program efforts by only $1. It also costs us $3 to $4 in private investment as well.

The irony of the proposed cuts in community development programs is that they run counter to part of the Reagan administration's general philosophy. This philosophy calls for returning responsibility for domestic programs to State and local government.

However, the ability of these levels of government to meet these responsibilities depends on a strong tax base. The community development programs used in the expert way that many communities have learned, build up precisely this tax base. To a great degree they reclaim property and strengthen the economy of cities. Their reduction or elimination seriously threatens this local tax base and dooms the philosophy of decentralization to total failure.

Let us look specifically at how the proposed fiscal year 1986 cuts affect Omaha, a city of approximately 350,000 people in the Midwest.

For us the planned rescission of section 312 and deferral of CDBG means a reduction of 30 rehabilitated houses under our Urban Homesteading Program. These 30 houses rehabilitated and owner occupied will mean $1.2 million in added tax value as well as adding stability to their neighborhoods. Let alone, they would deteriorate further, require demolition by the city and blight their neighborhoods.

The cuts mean that Omaha will rehabilitate 45 fewer single-family houses this year and 50 fewer rental units for low- and moderate-income households. The city must cut in half its appropriation to its innovative small business network which creates jobs by helping to capitalize new small businesses in order to keep some semblance of adequate funding for emergency repair and homeless housing programs.

These cuts proposed virtually without advance notice force us into impossible choices. We estimate that the proposed fiscal year 1986 cuts in CDBG section 312 and rental rehabilitation will cost the city of Omaha about $5 million in total investment, but that is not all.

The administration proposes to rescind fiscal year 1986 funds for the Urban Development Action Grant Program [UDAG]. Omaha's window of eligibility in the program has been very short and effectively shut down when HUD began to evaluate proposals by statistics rather than project merit in 1983.

However, before that we used the UDAG Program to convert a condemned apartment complex in HUD foreclosure to a successful moderate income condominium project in the center of Omaha's black community. We helped build downtown Omaha's first new retail building in over 20 years, a new shopping center in which nearly half of all businesses are minority or women owned enterprises.

With a UDAG we converted an old grocery store into a business and technology center providing a nurturing environment for new small businesses in our near north side.

Omaha has not used UDAG's to build luxury hotels. We have helped to create residential and business activities in areas that previously had none. The UDAG Program certainly needs redirection to allow cities like Omaha to compete for grants once again. However, the program certainly should not be rescinded.

There's more. Omaha recently acquired an exceptionally beautiful but deteriorated old apartment complex in a seriously blighted neighborhood using a section 108 loan. The city planned to assist with financing the estimated $3 million rehabilitation with CDBG and section 312 funds.

With these programs 100 low- and moderate-income households will have excellent housing and a neighborhood will be on its way back. Without them, our city will have a $150,000 demolition bill and a pile of rubble.

Three blocks west of this apartment are 2½ blocks of vacant land, purchased by the city several years ago for a redevelopment project.

We have negotiated an agreement with a private nonprofit developer to build a 45-house subdivision on this site. The city will use CDBG funds to help reduce interest rates on mortgages bringing home ownership within the reach of low- and moderate-income people.

With the CDBG Program we will have a completed revitalized neighborhood generating $60,000 annually in tax revenues. Without it, we will continue to have 2½ blocks of vacant land producing nothing but maintenance bills.

I recognize the need for deficit reduction and also believe that cities do have a role in appropriating their own funds to community development. But the Federal deficit has grown while these programs have been cut and we are trying to fund community development programs.

In 1986 Omaha is allocating over $1.7 million for these purposes, over 50 percent of our CDBG requirement. However, we cannot fund these and other programs alone. If the administration insists on reducing or eliminating those programs which help make cities self-supporting, its philosophy of decentralizing government must be exposed as an empty shell. Cities must not be deprived of the tools that they need to retain their life.

I urge you to reject the current attempts to make further reductions in community development programs and to continue to let you know that we support you as you speak for those who have no voice.

Thank you very much.

[The prepared statement of Mayor Boyle can be found in the appendix.]

Chairman GONZALEZ. Thank you very much, Mayor Boyle.

It is deeply appreciated and your continued and sustained support will be very helpful to us.

Mr. Burney.

STATEMENT OF HON. WILLIAM D. BURNEY, JR., COUNCILOR OF AUGUSTA, ME

Councilor BURNEY. Thank you, Mr. Chairman, and members of the subcommittee.

My name is William Burney, and I am a city councilman from Augusta, ME, and also a member of the National League of Cities Community and Economic Development Policy Steering Committee.

I am pleased and proud to appear before the subcommittee and present the impact of the administration's budget proposals from the perspective of a city councilman from a small northeastern State capital with a population of about 22,000.

I can also call on my experience of 5 years as a program officer for the Maine State Housing Authority. The housing authority, along with the Farmers Home Administration and HUD are the leading institutions in Maine for the financing of low-income housing. All three are being dealt severe blows by the administration's proposals.

I would like to focus my attention on how we in Maine have utilized the HUD and Farmers Home programs and community development programs to deliver services in rural America.

First on community development.

The State of Maine has four entitlement communities under the CDBG Program. The remaining municipalities, and there are nearly 500 of them, all must compete in the State-run Small Cities Program.

In fiscal year 1985 the State of Maine had approximately $11,360,000 available in CDBG funds. This enabled the Maine State Planning Office to fund 12 community revitalization grants. These moneys are also provided for second-year funding of 14 2-year grants that had been funded in 1984.

However, under the administration CDBG proposals the likelihood of funding such projects in 1986 is bleak. Based on the 10-percent budget cut already enacted, the 4.3 percent reduction of funds mandated by the Gramm-Rudman-Hollings legislation and the administration's proposed deferral of $500 million into fiscal year 1987, the CDBG funds available to the State of Maine could fall to $8.4 million. This will enable the State of Maine to fund only nine new CDBG grants in 1986. This represents a 25-percent reduction in the number of municipalities that will receive the benefits of the CDBG Program.

The result is that hundreds of Maine's low-income people will be forced to continue to live in substandard housing, for example, as the result of this administration's fiscal policies and its repeated attacks on these essential domestic programs.

In Augusta, for example, some 200 substandard rental dwelling units are slated for rehabilitation if our CDBG application is approved. Of course, the merits of our application will be the primary factor in its success or failure.

However, the possible significant reduction in the amount of available funds will severely limit the likelihood of our application being approved to renovate these 200 units which are occupied by low-income people.

The situation on CDBG funding for Maine becomes even more serious in fiscal 1987 when available funds could fall to $6.9 million. This would enable only seven grants to be funded in the State of Maine.

We accept the fact that State and local governments will need to continue to examine their priorities on a regular basis.

However, in a State with some of the oldest housing in America, at these declining levels of funding we will certainly lose the battle against blight and deterioration. State and local resources will not be enough to stem the tide without increasing the local property tax. With general revenue sharing being phased out as well, this is an unfair burden for the local taxpayer to be called upon to bear.

The Urban Development Action Grant Program is another HUD program that has made a significant impact on the economy of Maine. However, this program is slated for termination.

As you know, the UDAG Program has been highly successful in enabling severely distressed communities throughout the nation to attract the necessary private investment to stimulate economic development.

The State of Maine has many communities that are eligible for UDAG funding, and several of these have received UDAG awards over the years. Most recently, for example, Maine communities were awarded $5.5 million in 1985.

However, UDAG applications submitted for the most recent small cities UDAG competition were returned by HUD because of the administration's effort to rescind the remaining fiscal year 1986 funds. The President proposes to terminate the program in fiscal year 1987.

For the city of Augusta, this meant that ours was one of those applications returned by HUD and we were thereby shut out of the UDAG process.

The project presented in our application is very critical to the efforts of the city of Augusta to revitalize its central business district. The proposed project entails the redevelopment of a former textile mill which is now vacant due to the decline of the textile industry.

The redevelopment would include mixed use commercial and office space, residential units and a 100-unit hotel. The proposed project means approximately 500 new jobs for area residents and over $300 thousand of additional annual tax revenue for the city. It would significantly upgrade an historically blighted area of our downtown.

Although Augusta's project would be competing nationally for the funds, it is very difficult for me to accept a policy that would close the door on this type of project in distressed areas, whether it be in the Northwest, the Southeast, the Midwest or the Southwest. This type of public/private partnership is essential to aid those communities which have not benefited from the overall economic recovery.

Mr. Chairman, we in the cities are encouraged that you and others in Congress are sponsoring resolutions to disapprove the rescissions and deferrals of funds for programs like UDAG, CDBG and assisted housing.

In addition, thanks to your leadership and this subcommittee, Congress in 1983 enacted the Housing and Urban Renewal Recovery Act of that year. That law contained several key housing rehabilitation and production programs which are now slated for termination.

For example, the HUD Rental Rehabilitation Grants Program has increased the supply of standard affordable housing for lower income tenants by providing rehabilitation grant funds to make the rehabilitation of rental property feasible.

Section 8 existing housing certificates and/or housing vouchers are made available to participating grantees to assist those eligible lower income persons who cannot afford the rents on the properties after rehabilitation.

This program has been very successful in the State of Maine and in my city of Augusta. Augusta has been able to rehabilitate 89 units of substandard housing at a cost of a little over $9,000 per dwelling unit. The private sector invested 58 percent of the cost of the rehab compared to 42 percent of the funds coming from rental rehab and CDBG.

Statewide the Rental Rehab Program stimulated $3.3 million in rehabilitation construction. This translates into nearly 400 units of rental housing that was made decent safe and sanitary by the program.

Unfortunately, program funds for fiscal year 1986 have been proposed for rescission and the program terminated in 1987. In 1985, projects in the State of Maine were awarded $7 million in housing development grant funds, the so-called HoDAG Program for badly needed housing production. This program is also slated for termination in 1987.

This also would be detrimental to Maine at a time when the State and its Housing Finance Agency is faced with severe curtailment in its ability to raise local resources for housing due to the bonding limitations of H.R. 3838.

THE FARMERS HOME ADMINISTRATION [FmHA]

Another program authorized by the 1983 Act is the Farmers Home Administration Rural Preservation Grant Program. This program was supposed to be the sister program to the HUD Rental Rehabilitation Program. Grants were to be made available for repairs to both owner occupied and investor owned rental property in areas served by the Farmers Home Administration.

These areas are significant in Maine since only about 20 of the nearly 500 municipalities in Maine are not eligible for the Farmers Home Program. However, after nearly 3 years since the Congress authorized the Rural Preservation Grant Program and 18 months since funds were appropriated, Farmers Home has not issued regulations and not $1 has hit the streets.

For fiscal year 1987 the administration proposes to terminate this program, a program targeted to very low-income households residing in single and multifamily rural rental units in need of repairs.

Addressing the housing and community development problems in rural American and maintaining such programs, and by all means they should be maintained, requires a special effort.

In Maine the Farmers Home Administration has made that effort. Over $30 million in rural housing funds were available to Maine in 1985. In 1987 there will be little or nothing. Maine was awarded $5.1 million from the Farmers Home Business and Industry Program in 1985. In 1987 there will be nothing.

Nearly $15 million went to the Farmers Home community facilities in Maine in 1985. Again, no funding is proposed for 1987. What is proposed is that the HUD small cities CDBG Program take over these programs. This is an inadequate solution for at least two reasons.

The first is that there is not enough funding being proposed to accomplish a meaningful level of rural projects.

The second is that when the Farmers Home administrative structure is dismantled there will not be a suitable program delivery mechanism in place. HUD is simply not equipped to deliver programs in rural America. Even with the assistance of the States through the CDBG Program the transition will be unwieldy and unacceptable delays in program delivery will undoubtedly take place.

Let's try to put ourselves in the position of a four-person family living in a three-room house with no septic system and an unreliable and sometimes unpotable water supply. That family should not have to wait the 2 years that it would take HUD to recreate the wheel of the Farmers home development programs.

I would like to close with just a few comments on the President's proposal to substitute 50,000 housing vouchers for all the Federal housing programs now in existence and to divide them evenly between urban and rural areas under HUD administration.

This proposal simply does not make sense. This means that Federal spending for HUD and Farmers home low-income housing assistance will drop from about $13 billion in fiscal year 1986 to $2 billion in fiscal year 1987. The number of units assisted will be cut from 175,000 units to 50,000 vouchers.

It is doubtful that HUD vouchers will by themselves provide a solution to either urban or rural housing programs. Particularly in rural areas there is a high incidence of substandard housing. Over 2 million disadvantaged rural households live in substandard housing. Close to 500,000 rental units lack complete bathrooms or adequate plumbing. Almost 2.5 million rural units lack adequate drinking water. The vacancy rates in rural areas, according to the annual housing survey, is only 2.1 percent.

The Voucher Program depends on the availability of standard affordable rental housing to be successful. This type of housing just does not exist in adequate numbers.

Unless the administration is prepared to support and implement a suitable housing rehabilitation and production program, coupled with realistic fair market rents for the Voucher Program, low-income renters will be forced to remain in substandard housing.

Mr. Chairman and members of the committee, I again thank you for the opportunity to testify on these important housing and community development programs.

Thank you.

[The prepared statement of Councilman Burney can be found in the appendix.]

Chairman GONZALEZ. Thank you very much, Councilman Burney.

Frankly, you have answered all of the questions I had thought I would be able to ask, and in a very pertinent way, I mean direct way.

Some of the first trips we made on this subcommittee, and we made quite a number, we went to the Eastern Shore, and we visited and saw exactly what you are telling us. And the fact is that we do have families that still live in highly inadequate circumstances in the rural areas of our country.

So your giving us the factual presentation is very much appreciated.

We are going to recognize Congressman Mitchell at this time because he has to leave.

Also, I want to announce that the mayor from the great city of Cincinnati has arrived——

Mayor VOINOVICH. Cleveland.

Chairman GONZALEZ. I mean Cleveland. [Laughter.]

Mayor VOINOVICH. Cincinnati is great, too.

Chairman GONZALEZ. Well, I don't know why I slipped up there. I think the first city manager we got in San Antonio was from Cincinnati and that is why.

But actually we will notify Ms. Oakar if she can come over to introduce you. If not, we will ask your other Ohioan to introduce you.

We are going to recognize Mr. Mitchell because he has to leave and he had a couple of questions he wanted to direct to the witnesses that had presented their testimony.

Mr. **Mitchell.** Mr. Mayor, I am sorry that I will not hear your testimony. I will read it.

After hearing the testimony from all four of the witnesses, I am even more grateful.

I just wanted to comment very briefly that there is a show on television or a movie or something called the "Destroyer," and we have got lots of destroyers in Washington.

I have been around long enough to know the tactics of the destroyers. They use three major tactics to try to kill programs.

First of all, they try to kill a program by saying the problem has been solved and the program has worked.

Now I don't know, Mr. Councilman and the mayors, whether the landed gentry and the peasants and the well-to-do in your cities are lining up in the streets to kiss your ring and saying thank you for solving all the problems of the two Charleston's and Omaha. I just don't think that is happening.

These buzzards, destroyers use the tactic of saying well, you kill the program because no one benefits. Have any of you gentlemen had popular uprisings in your communities, you know, with people marching through the streets saying we haven't' gotten anything out of this? No.

The third thing that these birds of prey use to kill programs is to charge waste mismanagement and fraud. Now, to the best of my knowledge, I have not heard any reports about gold bathroom fixtures going into low-income housing and I have not heard any reports about Renoir paintings being purchased for middle-income housing. We haven't had the kind of thing that we have had in the Department of Defense. We haven't had a Sergeant York system in our CDBG Program.

So obviously these two programs don't meet the criteria for destruction by the birds of prey. Then what is the reason? And I think you put your hand on it, Mayor Riley. It is a part of the continued assault by this administration against cities, just that simple.

And I must confess that I believe a part of it is racism because of the concentration of blacks and minorities in those cities and because of the innovative efforts that you have done to bring blacks and minorities and women into the main stream in your city life.

Thank you. Your testimony has revved me up. After I have finished the joint economic hearing, I will probably go get the mace to hit somebody in the head with. [Laughter.]

Thank you very much.

Chairman **Gonzalez.** Thank you very much, Mr. Mitchell.

I also wish to announce the presence of Ms. Kaptur from the State of Ohio.

I think we ought to proceed and recognize our Mayor from Cleveland and ask Ms. Kaptur to please introduce him, and with the reservation that if Ms. Oakar shows up, she also will have a second introduction.

Ms. **Kaptur.** Thank you, Mr. Chairman.

I am sure that Congresswoman Oakar, who serves on this committee with us in such a fine fashion, would want me to personally welcome on behalf of herself and the entire Cleveland area delegation the distinguished mayor of Cleveland, Mayor George Voinovich, who is so well known throughout Ohio and who has done such a fantastic job in leading that city into a new era.

I know, you may not remember this Mayor. After I was first elected they take all the new Members of Congress up to Harvard University for a briefing on what Congress is really like. You were a speaker at the first session and did such a fine job in identifying the urban programs that you found to be the most valuable to Cleveland.

So officially on behalf of the entire Ohio delegation, I would like to welcome you here this morning. We look forward to your testimony.

STATEMENT OF HON. GEORGE V. VOINOVICH, MAYOR OF THE CITY OF CLEVELAND, OH

Mayor VOINOVICH. Thank you very much. I appreciate your very generous words. We are trying to keep some of those programs we talked about a couple of years ago.

Mr. Chairman and members of the committee, I am Mayor George Voinovich of Cleveland and the immediate past president of the National League of Cities.

I am pleased to have this opportunity to appear before the subcommittee and detail the impacts of the administration's proposed budget for housing community development programs.

I think all of us agree that certainly we have to do something about reducing the Federal deficit. The issue of redefining the Federal Government's role in and of itself is not objectionable. However, it is difficult to accept at the local level when the intended new role for the Federal Government means virtual abandonment of financial assistance to cities that for years have delivered services to residents with the use of Federal funds.

As I have said over and over again, we have cooperated with New Federalism, but we will not tolerate no federalism.

The idea that an improving economy will increase local revenue to the point that Federal assistance is no longer needed is clearly not true.

In the first place, only about 80 percent of our local revenue is directly affected by economic factors.

Second, Cleveland and many other cities have not shared equally with the rest of the Nation in the economy's upturn.

The potential loss of two major sources of Federal assistance, revenue sharing and community development block grant funds will result in the loss of $43 million in Cleveland, OH.

To make up that loss would mean our local wages that are subject to payroll tax would have to grow about 16 percent. That would be great, but we still have 13 percent unemployment in the city of Cleveland.

Our economy is in transition and we are still going through what I refer to as an economic change of life. The negative impacts of reducing and eventually eliminating assistance to our city will hamper our shortrun ability to deliver services on a day-to-day basis, as well as limit our ability to rebuild our local economy, including the city's infrastructure.

These impacts seem to be viewed as very minimal, or even totally overlooked in Washington. And, believe me, they are not minimal, and I am sure you have heard eloquence in regard to that from the prior witnesses.

In 1980, the city of Cleveland received a community development block grant of about $40 million. If the deferral goes into effect that has been proposed by the administration, we will be receiving 50 percent less than what we received back in 1980, and that is about $19 million in community development block grant money. When you take into consideration inflation, that is about 60 percent less than what we had several years ago.

In the current year alone, as I mentioned, we see a 31-percent reduction, and I won't go into that, but I think you are aware of this deferral situation and I think you are also aware that the National League of Cities filed suit in the Federal court to hold that as being unconstitutional and was joined with several Members of Congress and other people.

We would really hope, particularly in that matter, if a resolution disapproving the deferral could be attached to some piece of legislation here and maybe get one in the Senate, particularly a piece that maybe the President is interested in seeing passed so that this deferral situation can be taken care of.

I must tell you that the deferral is causing chaos for us. I sent letters out to 130 social service agencies telling them that come April 1 your money may not be available in trying to put them on notice that if it goes through, we are not going to have the money to fund them.

So we are in a state of real uncertainty right now, and the sooner the issue of that deferral is dealt with, the better off all of us are going to be, including some of the Federal agencies that are talking about laying off people that are dealing with some of these programs out in the areas offices.

To fully understand the impact of the loss of block grant funds, I am just going to give you an idea of what $1 million can do in a city like Cleveland; $1 million will rehabilitate 75 houses. It will weatherize 400 houses; it will provide paint for 5,000 houses; 65,000 hours of day care for children of low-income working parents; 400,000 meals for low-income persons; summer employment for 500 persons to clean vacant lots or the renovation of 8 neighborhood playgrounds.

Even more significant are the lost opportunities for using block grants to leverage other public and private investments.

And let me say this to you. There is not enough talk about the leveraging aspect of these programs, and I wish that I had been here for the other testimony. But we will just take $9 million last year out of block grant. That leveraged $42 million in the community of investment. So that if you eliminate the Block Grant Program, what you effect do is eliminate about 200 public/private partnerships that we have in the city of Cleveland.

What these programs that you are involved with, that you are funding, they are the yeast that makes projects a reality in our community, and you have some pictures of some projects that we have undertaken in Cleveland, OH.

One of them that I would like to just bring to your attention is a middle-income housing project that we have put in Huff. Huff was the area where we had the riots back in the late 1960's. It is an area that is referred to as an urban wasteland, and we felt that we could demonstrate that if you put housing there, there would be a market for it.

What we did is we came up with about $5.6 million and the private sector came up with $7.7 million. First, we used $1 million of community development block grant funds. Then we still had some urban renewal funds and we used $2 million there. We then obtained a UDAG in the amount of $2,660,000 to a developer at 8 percent interest for a period of 15 years.

But let's see what else happened. Let's see what else happened as a result of that. Ameritrust, one of our banks provided over $2 million at cost for a construction loan and first mortgage on the development. Some of the other funders came along. The Ford Foundation came up with $1,100,000. The Cleveland Foundation, $800,000. The Gun Foundation, $330,000. The Local Initiative Support Corp. [LISC], $250,000. Sohio, a major corporation, $200,000. TRW and many other corporations contributed to this. And last, but not least, private investors through a syndicated limited partnership formed by the developer put their money into this project.

What I am saying to you is that without the CDBG and without the UDAG grant this project would not have occurred. And I think you can see that throughout this country in hundreds of other projects. So we are talking more than just the money that we are going to lose from the rescission of these programs or the elimination of them, but we are losing the leveraging that is so darn important to our being able to provide housing and revitalize the economy of our respective communities.

I want to give you one other example because I think it is really dramatic. We have really used Federal economic development projects. In fact, we had a Gramm-Rudman day in Cleveland. What I had my economic development director do is summarize what would not have happened in Cleveland, OH, if Gramm-Rudman had gone into effect back in 1980; 106 projects, 15 downtown and 91 in the neighborhoods, wouldn't have taken place; $370 million of investment would not have taken place. Approximately 6,000 jobs would not have been saved and approximately 6,000 other jobs would not have been created.

And when you consider a city that has unemployment of 13 percent and subtract 12,000 more jobs from the economy as a result of the loss of these programs, you can see what a dramatic impact they have upon them.

I am very happy to see that my Congresswoman is here, and she has been very, very helpful to us in taking advantage of many of these programs, EDA, UDAG, and some of the other programs that we have.

So the point I am making is that some study ought to be made about the leveraging of these programs and how without them we will be left in a position where many of these projects, most of them, maybe all of them would not be undertaken.

I would like to turn now to assisted housing. I think you are familiar with what we were spending on assisted housing for low- and moderate-income people back in 1981, something like $26.7 billion.

According to our statistics, if you take in the President's proposed budget, we will only be spending $2.3 billion as contrasted with $26.7 billion, or 91-percent decrease in the amount of money for providing housing to low- and moderate-income people in the United States of America.

The question I have is, Who is going to provide the housing for low- and moderate-income people in the United States of America without these programs?

Certainly we haven't the capacity at the local level to provide that housing for those individuals.

And I think one other question should be asked, and I think this is where we are really falling down. If you are going to eliminate these programs, which is direct programs to the low-income and for moderate-income people, then why don't we look at the other side of the equation, and that is tax expenditures in terms of the interest that we allow people like George Voinovich to take off on my mortgage or if I am so lucky to have a second house that I can take the interest off that mortgage, and if I am so lucky if I have a third house or fourth house, I can deduct the interest on that mortgage.

We really have to look at the fairness here. You can't allow the hemorrhaging of tax dollars to the Treasury to help one group of more affluent Americans and ignore the problems of another group of more needy Americans that require help in terms of direct programs.

In other words, if you want to get out of housing, get out of it all for everyone. If you want to eliminate low and moderate income, do it if you decide you want to do it on a policy basis, but then eliminate it for the rest of the American people that are benefiting from it in terms of a tax deduction. Fair is fair.

I think you know that all we are going to have left is the voucher system if all of these proposals go into effect.

Now I would like to switch again to another problem that we have in our community, and Congresswoman Oakar is really familiar with this, and that is public housing.

We have over 12,000 public housing units in Cleveland, OH, and they continue to deteriorate as operating subsidies fail to keep up with inflation and vital modernization funds are slashed.

As you know, in 1981 the Federal budget included funding for $927 million in public housing modernization. Today with the administration's proposed recisions only some $225 million is going to be available, or a 75-percent cut in public housing funds since 1981.

Cleveland started public housing. Public housing started in Cleveland, OH. It was created by a man by the name of Ernie Bowen, who was a member of our city council.

Seventy-five percent of our housing stock is over 40 years of age, and I can tell you if the recommendations go through for public housing, we are going to have one gigantic slum, and Congresswoman Oakar will tell you some of it already looks like it is the slums.

We have to look beyond that and realize that it is the housing of last resort in our town for about 22,000 human beings, and as a government and as a country like ours with the richness that we have, are we going to put those people in a position that they are going to have to live in nothing better than pig sties.

I think, when we speak of these programs we think of dollars and we think of bricks and mortar, but we have got to think about the people that are impacted by these programs and their quality of life.

So I think the time has come when we have to start to really give consideration to the future of Americans that live in our cities. And I would like to say here today that there are Americans that live in cities.

You know, I sometimes feel that there is a feeling here in Washington that Americans who live in cities that are poor, disabled and are on some type of subsistence are not really Americans. I have got to tell you they are Americans. They may be faceless Americans and some folks may close their eyes to them, but they are there. They are our fellow human beings.

And the fact of the matter is this. We do not have the capacity on the state and local level to respond to the needs of those individuals. I think we are doing a much better job than ever before. You have cut back on our funds 54 percent in Cleveland, OH. We are running the city with 700 less people. We are doing more with less. We are working harder and smarter.

We have increased our local taxes, Ms. Oakar will tell you that, by almost 50 percent. We have a wonderful public/private partnership that is in place, and we are doing everything that everyone says we ought to be doing for ourselves. We have become more self-reliant than in the 1930's.

But I can tell you this. We don't have the capacity to take care of the problems in our community that will occur as a result of the Federal Government totally abdicating any responsibiiity for a domestic program, and I think that really is the issue before Congress. Is the United States of America going to have an urban policy, or are we going to end that historic relationship that the Federal Government has had with local government. That is the key.

And I happen to believe that domestic spending is just as important as defense spending. And if we allow our people to be ignored and let them fend for themselves and their quality of life deteriorates, that to me is a greater threat to the security and well being of this nation than some of the people that we are worried about in other parts of the world.

Thank you.

[The prepared statement of Mayor Voinovich and also articles and a Program/Project chart can be found in the appendix.]

Chairman **Gonzalez**. Thank you very much, Mayor.

I agree with you totally. Some of us have been saying precisely that for a few years now. I have called it a perversity and a perversion in priorities.

This committee is also being asked at the same time that the President for 2 years in a row finally came through and requested an elimination of policies and programs, some of which have been in place like FHA insured mortgage programs for 40 or 44 years, we are faced with a recommendation to provide some, and I don't remember if it was $5 and $7 billion for the development institutions, banking institutions.

Ms. **Dorius**. I am not certain.

Chairman **Gonzalez**. Well, I do know that we have been requested to provide not less than some $7 billion for so-called regional financial institutions, multinational institutions, the Inter-American Development Bank. These provide loans, in some cases 3 percent, for such things as construction of housing in lesser developed countries.

I have been sympathetic and I realize that there are some aspects of foreign aid that the Nation could without serious harm to its own national interests cut in total overnight. But I do think that this is a perversity in priorities. I think that it is a perversity, the height of perversity to ask us, while telling us that this administration cannot find $60 million for programs to house the homeless or at least temporarily, but wants us to provide $100 million for a very, very ill-defined situation in a country south of our border.

To me these are perverse priorities. Naturally if the President can get a majority of the Congress, well, no matter how perverse, they are going to get approved and they are going to go through. But what it is going to take, I don't know.

I think that you are helping us immeasurably by your appearance here today in trying to bring some degree of sane and rationale and dispassionate consideration of the basic issues that we see confront our constituencies. It is not what we say and it is not what we want, it is what our constituents are telling us, and particularly this subcommittee that has had the most extensive and comprehensive sustained course of hearings out in the field more than here than ever in the history of any committee and much less this one.

And we see, and we have witnesses like yourselves that can't afford to come up, but we go to them. And we have been in every single regional section, rural and urban, of this country, North, East, West, Middle West and Far West and my own State of Texas and in the South. I have been down to Birmingham, AL, for instance, and other places, and the story is the same.

It isn't colored, as the very distinguished witness, Mr. Riley, said as a partisan. Housing, the only housing programs and policies for the poor that exist or have existed in our country have been the national policies. Public housing, we can cuss it all we want, but it is the only thing around for the poor.

Now it seems to me that the history shows, the history of the legislation that it took, for instance, a Republican in the 50's, the late 50's to save public housing from your State.

Senator Taft was the one who saved public housing. It wasn't the Democrats. They went along with the hue and cry of that day on economy, and the enemies of public housing which we have had all along and who are now in power in this administration. The President has never spoken any differently than the way he is acting now. The record will show.

Somebody in Texas went out and compiled a record of all his speeches that he made in behalf of General Electric. I recall one personally in 1951, and maybe it was 1950, that he made in downtown San Antonio, and it was no different from what he is espousing now. So that we can't accuse him of being dishonest in that respect.

But we do have a challenge before us, and I don't know what more testimony one could expect, any reasonable mind in the Congress, than the one we have heard from you today.

Most of my questions have been answered. My own mayor happens to be the president of the League of Cities this year, and I visited with him for 2½ hours on Tuesday before last, and there is no question but what he was telling me, though I had known already.

I served on the city council for 3 years. In fact, that is where I started. But Sunday the local newspaper had a report in which the dateline was Washington. On page 4 it says the city of San Antonio is facing a 25 percent increase in taxes. But the source, somebody from the League of Cities had extrapolated the overall national percent down to the local in San Antonio.

Then there was a fine print advisement on page 10, that the mayor of San Antonio, Henry Cisneros, who was president of the League of Cities was saying in effect, they said Mayor Cisneros reports cuts not to be as bad as anticipated.

So we flipped over to page 10 and mostly what that reflected was sort of a prior release of whatever statement he made to the league yesterday. He was quoted directly as saying well, the message will be from us and from the league a message of hope and not of pessimism. Happily the cuts we had anticipated won't be as severe as we had anticipated.

So I said, gee, I am glad we are having the hearing on Tuesday because this indicates that perhaps we have misinterpreted the impact or the thrust of both the deficit reduction amendments and the budgetary recommendations of the President, though I didn't think so.

It sounded somewhat superficial and perhaps there had been a distortion in the net impact of what the mayor was going to say or had said. But I was convinced that I hadn't misinterpreted it, and I had had several members of the Budget Committee go over it with me to make sure that my interpretation was correct.

The counsel, who happens to be sitting on my right, Ms. Dorius, had also confirmed our interpretation.

So the questions that I had thought I would ask have been answered and more than answered all the way from the net impact of the recommendations on the urban and the general housing policies, both urban as well as rural, and I wanted to thank you very much, Mr. Burney, for your presentation because you very much specified the impact.

Ms. Oakar, I am sorry that I took this long. I had no questions, but you certainly have the floor now and you have a second introduction—I am sure you have questions because you were on the conference that entertained all the discussion, such as it was, on what turned out to be the budget reduction or budget deficit reduction amendments, Gramm-Rudman-Hollings, et al.

Ms. OAKAR. Thank you, Mr. Chairman.

Mr. Chairman, of course I was here earlier, and had to chair my own meeting. I apologize to all the mayors for not hearing your testimony personally, but I know how important it is and I want to thank the mayor of Cleveland for coming and his leadership on these issues.

I have to put a plug in, though, for this committee because if it weren't for the chairman of the housing subcommittee on the House side, we would have seen the elimination of housing programs believe me, since 1980, and I don't mean this in a partisan way because some of you are Republicans. My mayor is a Republican and we happen to be Democrats sitting up here. So we are not talking in a partisan way, but the truth of it is that we would have seen the elimination, almost the extinction of community development block grant money in the new budget, and the total elimination of elderly housing and the total elimination of UDAG, and the total elimination of the Loan Guarantee Program, the permits, new construction and so forth.

I know that the mayor of our city is absolutely right, Mr. Chairman. National security depends on how we treat our people as well as our concerns of security abroad.

The material that he has handed out, I mean this one building is around the corner from my own home in Cleveland, and I can just personally tell you how this has had a positive impact on the community with very little resources when you think of the whole huge budget.

It is important that we form our coalitions, the local administrators, the Federal legislators and the administrators working together, not only Congress, but the administration to have an urban policy, which is something I said earlier, mayor. You cannot abandon the cities of this country and, if you do, you are really in for internal warfare, it seems to me.

I think your coming here and having the courage to say the things you say, George, really is very, very important to the thinking, not only of this committee, but to the administration. I really mean that. I think it is very, very important.

We will do our part. We really will fight these cuts. You can be guaranteed that my chairman will lead the way in terms of fighting the cuts that affect our areas, both rural and urban areas, because our committee has certainly some very positive rural programs as well that relates to housing and community development.

But we can't do it alone. Unless we have the administration at least bending a little bit and realizing their policies are abandoning our people domestically. We can't do it alone. We have fought the battle year in and year out, I mean this sincerely.

We go to these conference committees and it is like pulling teeth to even have a program. We saved community development, UDAG and the loan guarantee programs and the elderly housing and other housing programs.

My mayor is right, Mr. Chairman, if you saw our public housing in Cleveland, it is the oldest in the country dating back to the midthirties. It is just devastating to the community because why would we ever want to have boarded up housing when we have all these people on a waiting list who have a need for subsidized housing. It's penny wise and pound foolish. I think everybody is willing to sacrifice in the Tax Code if we can get some leadership on the part of the administration.

The House, in general, is really aligned much more strongly, particularly this committee, much more strongly with your point of view, but it is really difficult when you don't have the same kind of thinking on the Senate side and from the administrative level.

That is why I think it is important that you are all here today to publicly testify about the negative impact that these cuts will have on the varieties of regions.

It is interesting that you chose, Mr. Chairman, north, south, east and west. Cleveland is a microcosm of just about all the areas, but it is interesting that you chose different people from across the country.

So I want to congratulate Mayor Voinovich on his courageous statements. I am sure the other distinguished Mayors were equally eloquent, and we are happy to have you here because we need your help and support. It is going to be a rough battle. Let me tell you, none of the programs you mentioned are in the least bit a priority with the administration.

I don't say that to be partisan. Those are the facts and we have to help you. We want you to help us in convincing some people that we cannot abandon the cities of this country.

I know another concern of yours, mayor, is revenue sharing, and many of us have sponsored legislation on the House side and the Senate has some bills. We certainly ought not to cut off revenue sharing just like that. It is the most ignorant idea, it seems to me, to do that. It affects not only large cities but hamlets and rural areas across the country.

We are with you in your thinking. It is a good thing, and a good omen I think when we can have people from different parties uniting on these kinds of issues.

So I am very, very happy that you all came and in particular my mayor, Mayor Voinovich.

Thank you.

Chairman Gonzalez. Well, thank you very much, Mary Rose. It is very true that it is very disturbing.

What we see is a real social problem developing in our country. How it will be channeled is what worries me the most.

We don't really have to go much more than about, I would say not more than a quarter of a mile from here. Just go over on the other side of the expressway and see how some of the people here are living now in public housing and next to some still remaining so-called private substandard housing. It is unconscionable, but we can't get any of the administrators from HUD to set foot in a public housing project.

We have a Secretary of HUD that has yet to set foot in a public housing project anywhere in this country. He comes from New York, but he has never been to Harlem, and that means a problem.

I had to deal with that all my life in Texas. I was a member of the Texas State Senate for 5 years and we had the same kind of perversity of priorities. Ironically the powerful and the rich who thought they would be forever, who now are in the throws of a real depression, you know, I just don't want to see the J.R.'s out of business. We wouldn't be able to have a Dallas program. [Laughter.]

But the J.R.'s of Texas ruled the halls of the Legislature. They escaped taxation for years, and they ignored the needs of the poor, and this is what is happening on a national level.

The President wears $3,500 cowboy boots. His wife wears $28,500 garments. I can't expect them to feel that if you deprive a family living on the other side of the expressway of $75 a month in food stamps that they are going to suffer much.

We had one Secretary of Agriculture saying, "Oh, I am going to go out here and have my family live on the stipend of a family on food stamps," but it was such a joke that he was laughed out even in the newspapers.

But all we have to do is if we come from any area in the country move in, like you have to since you are the mayors there and the councilman, you have to and you do see it. But if we can once penetrate the level of consciousness of a majority, we will be all right, and this is our challenge before us, how we can do that even with odds against us and all.

It can be done. I think the still saving sap in our Democratic tree is that we can still prevail if we keep on and eventually win. It is just a question of how soon or whether it will be in time to avert a real serious problem. We have had them already. We know what has happening in other countries like West Germany, Belgium, and France in very recent times when you had similar problems in shelter.

It has created violence and it took a national commitment to try to address the problem of shelter for all of the people in those countries. What we have here is a confronting an abandonment of that commitment. Now whether the Congress goes along or not is an open question.

I will be very frank with you, it is kind of bleak and it looks like an uphill fight, but I have been in those before, too, and eventually I have seen the majority say that is right, you are right, and you come through.

For instance, in Philadelphia where we have had something that we just don't want to think happens in our country. We have had a neighborhood bombed out with casualties, children included. The housing conditions there were an object of our concern.

To my left is Gerry McMurray, the very able staff director of the subcommittee for some time. He will tell you that I had discussed my desire to go into that area in Philadelphia with the subcommittee, but if not with the subcommittee if funds didn't allow, by myself when the bombing came along.

Now when we stop to consider the significance of that, and the fact that not one of those structures has been replaced, such as they were even, and that you have worse conditions that I have seen in other parts of the country in some of the dense areas of our country.

Even in this city, as I say, all we have to do is just go about a quarter of a mile at the most. Just go over and you will see that we can't expect human beings, not matter where they be, and this is true in any country, to be compelled to be deprived of any one of the three basic needs of life without having social complications of a very serious nature.

Our society is very brittle. The President is sowing dragon's teeth in this country. During the course of his administration I have seen a pervasive promotion, whether intended or not, of contempt for the poor, and the weak, and those who don't succeed.

I have seen sort of a exacerbation of class feeling. Whether it is intended or not, there is no question about it. I know I am not imagining things. I see it and I experience it, and I don't like it one bit because the American hope and the one that has led to my being here is a very opposite of that.

Also, as I said at the outset, I realize that it isn't easy for you to report even if it is interpreted critical. As I have said, I have spoken to individuals who occupy the same positions as you, mayors, county commissioners, we call them in our district, supervisors in other States, State directors of the programs who are very fearful and who don't want to be speaking in public.

So I want to thank you profoundly for your willingness to take the time, and I know you are all busy, and travel many miles, as you have, and help us in this way.

We will be proceeding rapidly in having some consideration by the full House of housing legislation.

We will, as I announced earlier, have the authorization, such as it is, and we may have to modify in the light of what has happened, and over which we have no control, H.R. 1, but it will be there.

The Rules Committee has given us an opportunity to hear tomorrow, and we hope if possible to get the leadership to allow us to have debate this week on Thursday if we obtain a rule tomorrow.

So as far as we are concerned, we are doing very much, and even with some divisions.

I usually, and in fact I always have, proceeded on consensus, at least among the majority. If I can't get that, I don't take a step.

So I first try to seek consensus among the majority, and I have, and it has been persons like Ms. Oakar who has made the difference in even the little that we have been able to get.

The 1983 Authorization Act, I want to remind you, gentlemen, was not possible until after the election of 1982 when we had an infusion of some new members on this committee, including some that were here, Jerry Kleczka and the like—well, before Jerry Kleczka.

But before that when we tried in 1981, we were literally laughed out. We couldn't get an authorization. In 1982, perish the thought. But in 1983, and only after holding hostage the bill that the President insisted he had to have, which was the IMF $8.3 billion to bail out the banks, that was the long and the short of it.

The fact that the administration said it had to have it, and we were able to corral enough folks to say well, we think we ought to have housing, too. So if you will give us housing, we will give you IMF.

Now I will also confess to you, and I have been given credit for 1983, but I ended up in voting against it because I don't like that kind of practice. I believe that we ought to exercise our Democratic rights. If the Senate didn't want to consider it, or if they did and they wanted to vote it down, let the Senators go before the people and say I am against these programs.

I didn't believe that we ought to compel anybody, and I don't believe in hostage taking on any level of life, much less in a Democratic parliamentary institution like this. So I will be very frank with you. I took that position and I couldn't vote for that package.

But I did bring about what was then known as H.R. 1, too, and it is an H.R. 1 here, too, which means that the leadership recognize when we appeal to them to give it that designation in order to show that there was a sense of urgency and there as a sense of priority in this matter of community programs and housing.

So I think you should know that, that the leadership has, to the extent that it has been able to respond. The House has approved authorizations. We have seen them either not acted upon—the Senate has yet to entertain in committee or subcommittee, a housing authorization.

So this is our problem and it has got to be resolved and will be. I know that ultimately the American people will be heard. They will have to be.

I also come from a county that was considered the most conservative anywhere in the world. It was a county that gave the State delegation that presented the most repressive antilabor bills of any State. In fact, they were so bad that the Texas Supreme Court declared six of them unconstitutional. They had to be pretty bad. [Laughter.]

It was also my county delegation to the legislature that presented the bill that provided the death penalty for communists. If you were proven to be a communist, why you would have been strung up. Well, they would have sat you on the chair in Texas. Now they give you poison. Take your choice.

So that, you know, I can see what it is that confronts and the dimensions of the challenge. Whether we prevail or not depends on really great colleagues, such as Ms. Oakar and the other great colleague, Mr. Vento, who was here and had to leave.

I will report for the record that the other members had to leave because in the case of Mr. Frank. He is the chairman of a subcommittee on government operations that has jurisdiction on HUD and has been magnificent.

Mr. McCandless had to leave because the Secretary of Commerce was testifying before the Economic Stabilization Subcommittee of which he is the ranking member I believe.

Mr. Frank, as I said, is a subcommittee chairman, as is Ms. Oakar.

So I imagine you either handed the gavel or closed the deal out.

Ms. OAKAR. I closed the deal. [Laughter.]

Chairman GONZALEZ. Well, that is sufficient.

Thank you very much, and forgive me for spouting off so long.

I want to ask unanimous consent that Congressman Frank be permitted to present for the record at the termination of the testimony of the witnesses testimony prepared by the Boston City Councilor, Maura Hennigan. She is the chairlady of that Councilor's Housing Committee.

So, if there is no objection, we offer this testimony.

[The prepared statement of Maura Hennigan can be found in the appendix.]

Chairman **Gonzalez**. Once again, thank you very much. We will send you a copy of the transcript for your editing, correction or whatever.

We hope to see you again soon under very much happier circumstances.

The subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, subject to the call of the Chair.]

APPENDIX

National
League
of
Cities

1301 Pennsylvania Avenue NW
Washington, D.C.
20004
(202) 626-3000

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PRIORITIES FOR AMERICA'S CITIES

ADOPTED BY THE BOARD OF DIRECTORS
OF THE
NATIONAL LEAGUE OF CITIES

March 9, 1986

A continued federal-local partnership with the nation's municipalities is essential to American growth and economic opportunity.

Escalating federal deficits, debt and the growth of poverty have hurt the nation and have put a cloud over our future.

The National League of Cities' highest priority--for the fifth consecutive year--is substantially reducing that deficit in a fair and balanced manner

- consistent with national needs and priorities,
- consistent with the financial ability of municipalities to assume greater responsibility for providing the basic public facilities and services critical to the nation, and
- consistent with the importance of investing national resources in those people who most need our help.

Our country is as strong as its weakest link. Our municipalities are the links which bind the nation, the places in which the majority of our children are born and raised, and the foundation upon which our economy is built. Our cities are charged with the protection of our citizens' health, safety and welfare. Therefore, our national budget should ensure our cities' ability to provide economic opportunity and employment for citizens of our nation. It should ensure a solid, not crumbling infrastructure upon which our national economy can grow. And it should ensure that existing infrastructure and service levels are protected.

This year, we once again propose a constructive solution in order to allow the Congress to get on to other pressing issues which have been ignored in the never-ending crisis of the deficit.

As an alternative to the Gramm-Rudman-Hollings law, we urge that the Administration propose and Congress adopt a responsible budget plan for which it is accountable. We urge that the Administration and Congress give careful scrutiny to all expenditures--tax, defense, entitlement and domestic.

We recommend that Congress freeze all expenditures at their present levels, except for interest on the debt, social security COLA's and needs-tested programs.

We believe that tax reform should not be revenue neutral and we recommend that at least a portion of new federal revenue gained be used to reduce the federal deficit.

As a prerequisite to any proposed spending or expenditure increase, the Administration and Congress should be required to increase federal revenues.

We recommend that dedicated trust funds be removed from the unified federal budget. These funds must not be used to reduce the federal deficit.

We urge that Congress and the Administration ensure sufficient funding to the state and local governments for any federal mandates.

We recommend that Congress should restore and henceforth preserve intact the authority and capacity of states and municipalities to raise their own revenues, including maintaining tax exempt financing and the deductibility of state and local taxes, to meet basic public needs and increasing municipal responsibilities.

Our national municipal priority programs are:

- GRS
- CDBG
- UDAG
- the municipal clean water program
- public transportation and highways
- low-income housing
- JTPA

We believe that adoption of such a plan would enable the nation to eliminate the burden of the existing national deficit over a reasonable number of years, finance the nation's defense capability, protect those among us who are least able to help themselves, and preserve a minimum necessary base upon which to construct a sound and just future domestic policy.

STATEMENT
OF
JAMES E. ROARK, MAYOR OF CHARLESTON, WEST VIRGINIA
FOR THE
NATIONAL LEAGUE OF CITIES
MARCH 11, 1986

Mr. Chairman and members of the Committee, I am James E. Roark, Mayor of Charleston, West Virginia. I also serve as chairman of the Community and Economic Development Policy Committee of the National League of Cities (NLC).

NLC represents over 15,000 municipalities through our network of state municipal leagues and over 1,000 direct member cities. I appreciate the opportunity to appear before the subcommittee on behalf of my city of Charleston and the National League of Cities to express our support for maintaining a strong role for the federal government in addressing the housing and community development needs of our nation's cities.

The Administration's FY 1987 budget proposals call for significant changes in the funding, operation and continuation of these programs.

Mr. Chairman, if I may, I would like to discuss some of the program reductions and changes in the broader sense and then give details on how the proposals specifically affect my city of Charleston.

Community Development

On November 25, 1985 the President signed the FY 1986 HUD appropriation bill which funded the Community Development Block Grant (CDBG) program at $3.125 billion, a 10 percent reduction from the FY 1985 level. On March 1, 1986 CDBG funds were reduced an additional 4.3 percent as required under the Gramm-Rudman-Hollings legislation.

Under its FY 1987 budget, the administration proposes to defer another $500 million of FY 1986 appropriated funds which would mean an overall reduction for CDBG entitlement communities of over 30 percent from the FY 1985 level, leaving only $2.49 billion for CDBG in FY 1986. For FY 1987, only $2.1 billion in new funding for the CDBG program is requested, with the administration assuming the availability of the $500 million in deferred FY 1986 CDBG funds for a total program level of $2.6 billion.

Additionally, the administration proposes to justify the reduced funding in FY 1987 by submitting to Congress legislation to target funding to entitlement communities "with the greatest need."

The plan also proposes changing the current 70/30 percent allocation between entitlement and non-entitlement communities to 65/35 percent. The proposed reallocation assumes the termination of over $600 million in Farmers Home Administration (FmHA) rural community development programs which are to be carried out with about $100 million in additional funds to the non-entitlement portion of the CDBG program.

NLC strongly opposes the proposed funding reductions in the CDBG program. In addition, we commend Chairman Gonzalez and the other members of the Committee who co-sponsored H.J. Res. 513 to disapprove the CDBG deferrals and other drastic program reductions and terminations in assisted housing and UDAG requested by the Administration. As you know, in conjunction with others, including members of the Committee, NLC has filed suit to challenge the constitutionality of these draconian deferrals proposed by the Administration.

These proposed reductions and program changes come at a time when more and more is being demanded of less and less CDBG funds.

I would like to give you my perspective on behalf of my constituents of how important CDBG is:

Charleston, West Virginia is a community of 64,000 people situated in the Kanawha Valley, the center of a metro population of more than 269,000 people, 12 percent of the state's people. We are the state's capital, with an economy based on wholesale and retail trade, health services, government, and manufacturing.

In 1985, Charleston received $2,243,000 in Community Development Block Grant funds. Of that, $755,000 or 33 percent, went toward direct contact housing programs. It is the lion's share of our CDBG spending that I would like to address this morning, and the effects of Gramm-Rudman-Hollings and the Administration's proposal to defer $500 million in CDBG payments.

The scenario now under consideration will mean a loss of $673,000 in CDBG funds to Charleston, a reduction of 30 percent. The greatest impact will be felt in our housing assistance programs, but funding for street improvements, public safety, and economic development will also be hard hit. In the depressive atmosphere of high unemployment (such as the 20 plus percent levels we have seen in many areas of West Virginia), and loss of funding through cuts in General Revenue Sharing and other programs, local officials are left little choice in structuring creative local responses to replace dwindling federal dollars.

In 1985, the Charleston Housing Improvement Program (CHIP) afforded 50 low-income homeowners low-interest loans to renovate their homes. Since 1983, 135 low-income homeowners have utilized this program to bring homes to safe and sanitary standards. Only 35 homeowners, we project, will be eligible to take part in this "do it yourself" program which has improved the quality of housing for sectors of or population often left to substandard and/or deteriorating neighborhoods. An added benefit to this program has been the active participation of minority contractors, underlining the public-private partnership aspects of this program.

The CHIP rental rehabilitation program in 1985 allowed owners of rental property to bring their units and apartments up to standard, safe and sanitary housing for low-income citizens (40 units-$150,000). Projected 1986 budget cuts in CDBG funding will eliminate this program.

Charleston was able to leverage 1984 and 1985 CDBG funds in a joint economic development-housing venture that saw 52 rental units (including 11 units for low-moderate income tenants) and 50 townhouses for ownership constructed within a two-block walk of Charleston's Central Business District. Part of that $200,000 program is still being utilized to assist in the contstruction of 12 townhouses for ownership by low income families in an area of Charleston where no one predicted housing would be seen again. Future projects appear unlikely to impossible because of CDBG cuts.

Using $120,000 from 1984 to 1985 CDBG years, we were able to respond to the needs of Charleston's homeless, providing shelter and hope for 50 to 60 men each night and the growing numbers of women, children, and families left to wander on city streets. We are thankful that we were able to act then, rather than face the needs of the homeless in 1986 without even a roof and four walls to shelter these citizens less fortunate than ourselves. Further assistance to maintain these programs is directly dependent on the shrinking size of the helping hand from Washington, often through CDBG funding for most communities.

The city adds $100,000 to the Comprehensive Improvement Assessment Program (CIAP) to renovate decades-old housing projects. These CDBG funds, combined with direct HUD payments to the Charleston Housing Authority, enable these old buildings to continue their service for thousands of low to moderate income families. We estimate the need of $4,500,000 over the next five years to keep our existing public housing safe and affordable. The outlook in 1986 calls for no funding.

Additionally, Charleston utilizes unemployed workers hired on a seasonal basis to paint houses of low to moderate income homeowners. During 1985, 18 workers painted 55 units on a budget of $70,000. This program will be eliminated because of CDBG cuts. Also on the chopping block is a housing replacement program, begun in 1985, providing loans to low income homeowners to purchase or construct housing units to replace severely dilapidated units that cannot be repaired.

Other cuts in the Charleston Housing Authority programs include:

Section 8 existing--no units expected in 1986. Received 400 transfer units last year from West Virginia Housing Development Fund. No new units received in last three years.

Moderate Rehab Program--providing 15 year leases to landlords who rehab and rent units to low income tenants. One hundred and sixty-five units received in past three years. No units expected in 1986.

Vouchers--20 vouchers received last year and none expected for 1986.

The bottom line in Charleston is the same as that faced in many other communities: low and moderate income people already receiving the assistance needed to keep their living conditions, specifically housing, at a minimum acceptable level will find it increasingly difficult to keep pace with their more fortunate neighbors.

Programs aimed at providing the safety net under "The Safety Net" provided by the federal government's assistance levels are being eroded. The myths of municipalities flush with money and unused taxing authority are simply that--myths --not true. We all balance our budgets each year because we must; state law and most city charters mandate that. Furthermore, Charleston (all 234 West Virginia municipalities) does not have home rule or omnibus taxing authority but rather must look to the largesse or a rural dominated legislature to increase local taxing authority. For us, we can only cut jobs and services while our citizens are buried in mountains of press releases from the state and federal government claiming credit for balancing the federal budget.

I urge your full and compassionate review of program cutbacks proposed for 1987, and the effect of planned deferrals and rescissions of promised 1986 funds such as the Administration proposes.

NLC strongly supports a three-year reauthorization of the CDBG program, which expires on September 30, 1986. We urge that the major compenents of the existing CDBG program be retained including principal benefit to low and moderate income persons, the current 70/30 allocation of CDBG funding and the continuation of the Farmers Home Administration rural development programs.

In addition, we oppose the Administration's proposed rescission of authority and termination of the Section 108 loan guarantee program and the Section 312 rehabilitation loan program. The 108 loan program has proved to be an important development tool which permits entitlement communities to finance major capital improvements by pledging their CDBG funds as security against the loan guarantees. The Section 312 program has served a full range of local rehabilitation needs, including single family and multi-family structures and is currently operating with repayments from prior obligations.

Urban Development Action Grants (UDAG)

For FY 1987, the administration again proposes the termination of the UDAG program once characterized by it as the perfect example of the public-private partnership. In addition, it also seeks to rescind some $206 million of FY 1986 appropriated UDAG funds.

NLC strongly opposes the proposed reduction and termination of the UDAG program and supports a three-year reauthorization of the UDAG which expires on September 30, 1986. It has a proven track record of job creation and economic revitalization in our nation's cities.

As you know, NLC supports changes in the UDAG selection criteria to ensure that all UDAG eligible communities have a reasonable opportunity to compete within the program.

We commend the efforts of this Committee to incorporate changes in the UDAG selection criteria in the budget reconciliation legislation which died in the last session of Congress. We urge you to redouble your efforts to maintain and broaden the political support for the UDAG program by again acting quickly to include the UDAG selection changes in the first available legislative vehicle in this session of Congress.

Housing Assistance

Perhaps the most callous and cynical of the administration's proposals for FY 1987 is its assisted housing budget, programs which have sustained reductions in excess of 60 percent since 1981 would receive no new funding in FY 1987. Instead, the president proposes to rescind $4.4 billion of the $10.7 billion of available FY 1986 appropriations and defer another $2.3 billion of FY 1986 funds until FY 1987. An additional $429 million in FY 1986 housing monies was cut on March 1, to meet the requirements of Gramm-Rudman-Hollings. As a result only $3.7 billion of the $10.7 billion appropriated for FY 1986 would be available for housing assistance.

In addition, the administration proposes to terminate all FmHA rural housing assistance in FY 1987 and rescind $700 million of FY 1986 funds appropriated for rural housing programs, resulting in only $1.5 billion available for rural low income housing.

The only housing assistance proposed by the administration for FY 1987 would be 50,000 housing vouchers to be administered by HUD and split evenly between urban and rural areas.

These drastic funding reductions in assisted housing occur at a time when federal urban policy and most particularly federal housing policy has become dominated by federal tax policy. Tax expenditures for housing now overwhelm direct federal housing assitance--but lack both your policy scrutiny and any budget scrutiny. They provide benefits to those least in need. It concerns me, for instance, to note that last year the Treasury estimated that the deficit was increased some $1.2 billion due to mortgage interest deductions taken by Americans to purchase vacation homes. That amount would automatically increase under the president's 1987 budget proposal, in sharp contrast to the virtual elimination of all housing assistance for low and moderate income households.

Housing policy is housing policy whether it is manifested through the direct expenditure programs or the tax code.

We urge Congress to focus more attention on the relationship between tax expenditures and direct expenditures for housing assistance in order to provide a more systematic and comprehensive framework for federal housing policy.

NLC strongly opposes the administration's efforts to end the federal role in providing housing assistance to those who are most in need and who cannot obtain or retain safe, sanitary and affordable housing without such assistance.

During the last five years, we have experienced an increase in poverty throughout the nation. Today, one in four children in the United States is born into poverty. Increasingly, with the federal cutbacks in the means-tested entitlement programs as well as low-income housing, the homeless and the hungry have turned to local government to provide assistance. In city after city across the nation there have been annual increases in the number of Americans without adequate shelter or nutrition. The HUD budget proposal offers no initiatives, no hope for these people; it promises to put more and more desperate Americans on our streets.

In the past five years almost all cities have raised local taxes and user fees, while cutting employees and services. At the same time as more and more families have fallen through the safety net, cities have become the place of last resort, containing our greatest housing problems.

While the Congress rejected the New Federalism proposals, the successive cuts in state and local assistance have made it a reality with one major difference: as proposed, the New Federalism would have created revenue sources for state and local governments to assume these former federal responsibilities. President Reagan's budget proposal provides no such revenue sources.

We urge the committee to reject the administration's proposed housing budget and in its stead provide a comprehensive housing program for low and moderate income households, including production, rehabilitation, housing for the elderly and handicapped and funds to maintain our existing stock of public housing and address the needs of the homeless.

STATEMENT
OF
JOSEPH P. RILEY, JR., MAYOR OF CHARLESTON, SOUTH CAROLINA
FOR THE
NATIONAL LEAGUE OF CITIES
MARCH 11, 1986

Mr. Chairman and members of the subcommittee, I am Joseph P. Riley, Jr., Mayor of Charleston, South Carolina, a member of the National League of Cities Advisory Council, and Vice-President of the United States Conference of Mayors. I am pleased to be testifying today on behalf of the National League of Cities.

I was here last February 27 and I appreciate the opportunity to appear once again before the subcommittee on behalf of my city of Charleston and the National League of Cities to express our alarm at the proposed deferrals and rescissions of community development and housing programs in 1986 and the drastic cuts and elimination of many of these programs in FY 1987.

The effect of the proposed administration cuts on my city of Charleston and cities across the United States would be nothing short of draconian.

Our community development program, if the proposed deferral succeeds, will have been cut 56 percent from six years ago, with no allowance for inflation. Community Development Block Grants have helped rebuild our cities. Before CDBG, our neighborhoods were on the slippery slope of decline, deterioration and disinvestment.

On my city's east side, where unemployment has exceeded 25 percent, CD funds have been used to provide more than 500 units of rehabilitated housing and 1,500 new jobs. We have used our CD entitlement primarily for housing and economic development in our distressed neighborhoods. The Charleston Business and Technology Center on the east side, a public/private venture with Control Data Corporation, is an example of the success of the CDBG and UDAG programs. This incubator building now houses 121 new, small businesses, 40 percent of them owned by minorities and women, and has provided job training and jobs for more than 700 east side residents, for many the first meaningful job experience in their lives.

The effects of the cuts in our housing efforts would be catastrophic. In 1980, we were able to rehabilitate 107 units of housing with CDBG and Section 312 funds. Last year, the already severe cuts reduced that total to 38. We have used the rental rehabilitation program to renovate an additional 82 units. If the administration gets its way this year and next, there will be no meaningful efforts to provide improved housing for low and moderate-income citizens.

I showed you a number of pictures last year of dilapidated housing in my city, a basic human, health, and safety problem in every American city. I have brought more pictures this year, for the situation is worsening.

Our award-winning scatter-site public housing, for which we received one of the first Presidential Design Awards last year, is scheduled to fall victim to the abolition of any new construction. Our 775 units of public housing that need immediate repair would find no help in a budget that reduces public housing modernization funds by two-thirds.

Urban programs are not the cause of the federal deficit. During the last five years, the federal deficit has trebled, while aid to our cities has been cut in half. Now the administration proposes to gut what remains. The proposal is outrageous.

Cities are our nation's crucibles, the sine qua non of our civilization. Cities have made great progress in the last ten years in rebuilding their populations and economic bases and infrastructure. But this effort has just begun. All the progress made so far can easily be reversed by a lack of resources.

Our main area of progress has been in economic development. My city of Charleston has used federal funds to help revitalize our inner city and provide more than 3,000 new jobs for our citizens.

As some of you know, I have been particularly interested in the Urban Development Action Grant program. In Charleston we have used six UDAG grants to generate new private investment exceeding $85 million and 2,500 new jobs, more than half of these jobs filled by minority citizens.

The UDAG program is an important tool in rebuilding our nation's cities and it must be kept and changes [illegible] to ensure the fair distribution of grants.

I urge you to reject the administration's proposed deferrals and rescissions for 1986 and cuts and eliminations in urban programs for 1987. Our cities must be given chance to rebuild. The future of this country depends on it.

STATEMENT
OF
MICHAEL BOYLE, MAYOR OF OMAHA, NEBRASKA
FOR THE
NATIONAL LEAGUE OF CITIES
MARCH 11, 1986

I appreciate the opportunity to testify before the Subcommittee on a subject of urgent concern to America's cities--the status of housing and community development funding. The President has proposed significant reductions in community development funding for fiscal year 1986. The most important of these reductions include deferral of $500 million in already appropriated CDBG funds and the rescission of the Section 312, rental rehabilitation and urban development action grant programs. The proposed 1987 budget brings continued reductions in CDBG and the elimination of the Section 108 loan guarantee program.

The continued reduction of these vital programs sharply limits the ability of cities to maintain their older neighborhoods. The city of Omaha, for example, received $5.9 million in CDBG funds in 1980. If the President's proposed deferral of CDBG funds is not reversed by congress, this amount will be $3.335 million in 1986. We have adjusted over the years by leveraging large amounts of private investment. This increased resourcefulness has benefitted us greatly, but it makes the pending reductions that much more insidious.

Each dollar reduction in CDBG funding in Omaha no longer just reduces program efforts by only one dollar. It also costs us three to four dollars in private investments as well.

The irony of the proposed cuts in community development programs is that they run counter to part of the Reagan administration's general philosophy. This philosophy calls for returning responsibility for domestic programs to state and local government. However, the ability of these levels of government to meet these responsibilities depends on a strong tax base. Community development programs, used in the expert way that many communities have learned, build up precisely this tax base. To a great degree, they reclaim property and strengthen the economies of cities. Their reduction or elimination seriously threatens this local tax base and dooms the philosophy of decentralization to total failure.

Let us look specifically at how the proposed FY 1986 cuts affect Omaha, a city 350,000 in the midwest. For us, the planned rescission of Section 312 and deferral of CDBG means a reduction of 30 rehabilitated houses under our urban homesteading program. These 30 houses, rehabilitated and owner occupied, will mean $1.2 million in added tax value, as well as adding stability to their neighborhoods. Left alone, they will deteriorate further, require demolition by the city, and blight their neighborhoods. The cuts mean that Omaha will rehabilitate 45 fewer single family houses this year and 50 fewer rental units for low and moderate income households. The city must cut its appropriation to its innovative small business network, which creates jobs by helping to capitalize new small businesses, in half in order to keep some semblance of adequate funding for emergency repair and homeless housing programs. These cuts, proposed virtually without advance notice, force us into impossible choices. We estimate that the proposed FY 1986 cuts in CDBG, Section 312, and rental rehabilitation will cost the city of Omaha about $5 million in total investment.

But that's not all. The Administration proposes to rescind FY 1986 funds for the UDAG program. Omaha's window of eligibility in the program has been very short, effectively shut down when HUD began to evaluate proposals by statistics rather than project merit in late 1983. However, before that, we used the UDAG program to convert a condemned apartment complex in HUD foreclosure to a successful moderate income condominium project in the center of Omaha's black community. We helped build downtown Omaha's first new retail building in over twenty years, a new shopping center in which nearly half of all businesses are minority or women-owned enterprises. With a UDAG, we converted an old grocery store into a business and technology center, providing a nurturing environment for new small businesses in our near north side. Omaha has not used UDAG's to build luxury hotels. We have helped to create residential and business activities in areas that proviously had none. The UDAG program certainly needs redirection to allow cities like Omaha to compete for grants once again. However, the program certainly should not be rescinded.

There's more. Omaha recently acquired an exceptionally beautiful but deteriorated old apartment complex in a seriously blighted neighborhood, using a Section 108 loan. The city planned to assist with financing the estimated $3 million rehabilitation with CDBG and Section 312 funds. With these programs, 100 low and moderate income households will have excellent housing and a neighborhood will be on its way back. Without them, our city will have a $150,000 demolition bill and a pile of rubble.

Three blocks west of this apartment are two and a half blocks of vacant land, purchased by the city several years ago for a redevelopment project. We have negotiated an agreement with a private, non-profit developer to build a 45 house subdivision on this site. The city will use CDBG funds to help reduce interest rates on mortgages, bringing home ownership within the reach of low and moderate income people. With the CDBG program, we will have a completed revitalized neighborhood, generating $60,000 annually in tax revenues. Without it, we will continue to have two and a half blocks of vacant land, producing nothing but maintenance bills.

I recognize the need for deficit reduction and also believe that cities do have a role in appropriating their own funds to community development. But the federal deficit has grown while these programs have been cut, and we are trying to fund community development programs. In 1986, Omaha is allocating over $1,750,000 for these purposes, over 50 percent of our CDBG requirement. However, we cannot fund these and other programs alone. If the Administration insists on reducing or eliminating those programs which help make cities self-supporting, its philosophy of decentralizing government must be exposed as an empty shell.

Cities must not be deprived of the tools that they need to retain their life. I urge you to reject the current attempts to make further reductions in community development programs.

Mr. Chairman and Members of the Committee, thank you again for the opportunity to appear before the Committee and express our views on these important community development and housing issues.

STATEMENT OF
WILLIAM D. BURNEY, JR., COUNCILOR
OF AUGUSTA, MAINE
FOR THE
NATIONAL LEAGUE OF CITIES

Mr. Chairman and members of the Subcommittee. I am William D. Burney, Jr., Councilor of Augusta, Maine and a member of the National League of Cities (NLC) Community and Economic Development Policy Steering Committee.

I am pleased to appear before the Subcommittee and present the impact of the Administration's budget proposals from the perspective of a city councilman representing a small northeastern city of 22,000 population.

I can also call on my experience during the past 5 years as a program officer for the Maine State Housing Authority. The Housing Authority, along with the Farmer's Home Administration (FmHA) and HUD are the leading institutions in Maine for financing low and moderate income housing. All three are being dealt severe blows by the Administrations budget proposals.

I would like to focus my testimony on how we in Maine have utilized the HUD and Farmers Home Administration (FmHA) community development and housing programs.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG)

The State of Maine has 4 entitlement cities under the CDBG

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program. The remaining municipalities (nearly 500) all must compete in the state-run Small Cities CDBG program.

In fiscal year 1985, the State of Maine had approximately $11,360,000 in CDBG funds available. This enabled the Maine State Planning Office to fund 12 Community Revitalization Grants. These monies also provided for 2nd year funding of fourteen 2-year grants which had been awarded in 1984. However, under the Administration's CDBG proposals, the likelihood of funding such projects in 1986 is bleak.

Based on the 10% budget cut already enacted, the 4.3% reduction of funds mandated by the Gramm-Rudman-Hollings legislation and the Administration's proposed deferral of $500 million funds into FY 1987, the CDBG funds available to the State of Maine could fall to $8.4 million dollars.

This will enable the State of Maine to fund only 9 new CDBG grants in 1986. This represents a 25% reduction in the number of municipalities that will receive the benefits of the CDBG program. The result is that hundreds of Maine's low income people will be forced to continue to live in substandard housing as a result of this Administration's fiscal policies and its repeated attacks on these essential domestic programs.

In Augusta for example, some 200 substandard rental dwelling units are slated for rehabilitation if our CDBG application is approved. Of course, the merits of our application will be the primary factor in its success or failure. However, the possible significant reduction in the amount of available funds will severely limit the likelihood of our application being approved to renovate these 200 units which are occupied by low income families.

The situation on CDBG funding for Maine becomes even more serious in Fiscal Year 1987 when available funds could fall to $6.9 million. This would enable only 7 grants to be funded.

We accept the fact that state and local governments will need to continue to examine their priorities on a regular basis. However, in a state with some of the oldest housing in America, at these declining levels of funding, we will certainly lose the battle against blight and deterioration. State and local resources will not be enough to stem the tide without increasing the local property tax. With General Revenue Sharing being phased out as well, this is an unfair burden for the local taxpayer to bear.

URBAN DEVELOPMENT ACTION GRANTS (UDAG)

The Urban Development Action Grant Program is another HUD program that has made a significant impact on the economy of Maine. However, this program is slated for termination.

As you know, the UDAG program has been highly successful in enabling severely distressed communities throughout the nation to attract the necessary private investment to stimulate economic development

The State of Maine has many communities that are eligible for UDAG and several of these have received UDAG funding over the years. Most recently, for example, Maine communities were awarded $5.5 million in UDAG funds in 1985.

However, UDAG applications submitted for the most recent Small Cities UDAG competition were returned by HUD because of the Administration's efforts to rescind the remaining FY 1986 funds and the President proposes to terminate the program in FY 1987.

For the City of Augusta, this meant that ours was one of those applications returned by HUD and thereby shut out of the UDAG process.

The project presented in our application was very critical to the efforts of the City of Augusta to revitalize its central business district. The proposed project was the redevelopment of a former textile mill complex which is now vacant due to the decline of the textile industry. The redevelopment would include mixed-use commercial and office space, residential units and a 100 room hotel.

The proposed project would mean approximately 500 new jobs for area residents, over $300,000 of additional annual tax revenue for the city and would significantly upgrade an historically blighted section of our downtown.

Although Augusta's project would be competing nationally for the funds, it is very difficult for me to accept a policy that would close the door on this type of project in distressed areas whether it be in the northwest, southeast, midwest or southwest. This type of public-private partnership is essential to aid those communities which have not benefitted from the overall economic recovery.

Mr. Chairman, we in the cities are encouraged that you and others in the Congress are sponsoring resolutions to disapprove the rescissions and deferrals of funds for programs like UDAG, CDBG and assisted housing.

In addition, thanks to your leadership and this Subcommittee, Congress in 1983 enacted the Housing and Urban-Rural Recovery Act of that year. That law contained several key housing rehabilitation and production programs which are now slated for termination.

RENTAL REHABILITATION GRANTS

For example, the HUD Rental rehabilitation Grants Program has increased the supply of standard affordable housing for lower income tenants by providing rehabilitation grant funds to make the rehabilitation of rental property feasible. Section 8 Existing Housing Certificates and/or Housing Vouchers are made available to participating grantees to assist those eligible lower income persons who cannot afford the rents on the properties after rehabilitation.

This program has been very successful in the State of Maine and in my City of Augusta.

Augusta has been able to rehabilitate 89 units of substandard housing at a cost of a little over $9,000 per dwelling unit. The private sector invested 58% of the cost of rehab compared to 42% of the funds coming from Rental Rehab and CDBG.

Statewide, the Rental Rehab Program stimulated $3.3 million in rehabilitation construction. This translates into nearly 400 units of rental housing that was made decent, safe, and sanitary

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by the program.

Unfortunately, program funds for fiscal year 1986 have been proposed for rescission and the program terminated in 1987.

HOUSING DEVELOPMENT ACTION GRANTS (HoDAG)

In 1985, projects in the State of Maine were awarded $7,000,000 in Housing Development Grant Funds for badly need housing production. The so-called HoDAG program is also slated for termination in 1987. This also would be detrimental to Maine at a time when the State and its Housing Finance Agency is being faced with severe curtailment in its ability to raise local resources for housing due to the bonding limitations of H.R. 3838.

FARMERS HOME ADMINISTRATION (FmHA)

Another program authorized by the 1983 Act is the Farmers Home Administration Rural Preservation Grant Program. This program was supposed to be the sister program to the HUD Rental Rehabilitation Program. Grants were to be made available for repairs to both owner-occupied and investor-owned rental property in areas served by the Farmers Home Administration.

These areas are significant in Maine since only about 20 of the nearly 500 municipalities in Maine are not eligible for Farmers Home Programs.

However, after nearly 3 years since the Congress authorized the Rural Preservation Grant Program and 18 months since the funds were appropriated, FmHA has not issued regulations and not

$1 has hit the streets. For FY 1987, the Administration proposes to terminate this program. A program targeted to very low income households residing in single and multi-family rural rental units in need of repairs.

Addressing the housing and community development problems in rural America and maintaining such programs in rural America- and by all means - they should be maintained, requires a special effort. In Maine, the Farmers Home Administration has made that effort. Over $30,000,000 in rural housing funds were available to Maine in 1985. In 1987, there will be little or nothing.

Maine was awarded $5.1 million dollars from the FmHA Business and Industry Program in 1985. In 1987, there will be nothing.

Nearly $15 million dollars went to FmHA Community Facilities Project in Maine in 1985. No funding is proposed in 1987.

What is proposed is that the HUD Small Cities CDBG Program take over these programs.

This is an inadequate solution for at least two reasons.

The first is that there is not enough funding being proposed to accomplish a meaningful level of rural projects.

The second is that when the FmHA administrative structure is dismantled, there will not be a suitable program delivery mechanism in place. HUD is simply not equipped to deliver programs in rural America.

Even with the assistance of the states through the CDBG program, the transition will be unwieldy and unacceptable delays in program delivery will undoubtedly take place. Let's try to put ourselves in the position of a four person family living in a three-room house with no septic system and an unreliable and sometimes unpotable water supply. That family should not have to wait the two years it would take HUD to recreate the wheel of FmHA development programs.

I would like to close with just a few comments on the Presidents proposal to substitute 50,000 housing vouchers for all the federal housing programs now in existence and to divide them evenly between urban and rural areas under HUD Administration. This proposal simply does not make sense. This means that federal spending for HUD and FmHA low income housing assistance will drop from about $13 billion in FY 1986 to $2 billion FY 1987. The number of units assisted will be cut from 175,000 units to 50,000 vouchers.

It is doubtful that HUD vouchers will, by themselves, provide a solution to either urban or rural housing problems. Particularly in rural areas; there is a high incidence of substandard housing. Over 2 million disadvantaged rural households live in substandard housing. Close to 500,000 rental units lack complete bathrooms or adequate plumbing. Almost 2.5 million rural units lack adequate drinking water. The vacancy rates in rural areas, according to the Annual Housing Survey is only 2.1%. The voucher program depends on the availability of standard affordable of rental housing to be successful. There is a dearth of such housing in rural America.

Unless the Administration is prepared to support and implement a suitable housing rehabilitation and production program coupled with realistic fair market rents for the voucher program, low income renters will be forced to remain in substandard housing.

Mr. Chairman and members of the subcommittee, I again thank you for the opportunity to testify on these important housing and community development programs.

STATEMENT
OF
GEORGE V. VOINOVICH, MAYOR OF CLEVELAND, OHIO
FOR THE
NATIONAL LEAGUE OF CITIES

MARCH 11, 1986

Mr. Chairman and members of the subcommittee, I am George V. Voinovich, Mayor of Cleveland, Ohio and the Immediate Past President of the National League of Cities.

I am pleased to have the opportunity to appear before the subcommittee and detail the impacts of the Administration's proposed budget for housing and community development programs.

There are a number of issues in the federal budget cutting philosophy. Some I can support, but others I cannot because they overlook the full impact on the people of Cleveland as well as others across the nation.

Certainly, we all agree that the federal deficit must be reduced. The issue of redefining the federal government's role, in and of itself, is not objectionable.

However, it is difficult to accept at the local level when the intended new role for the federal government means virtual total abandonment of financial assistance to cities that for years have delivered services to residents with the use of federal funds. The idea than an improving economy will increase local revenue to the point that federal assistance is no longer needed is clearly not true.

In the first place, only about 80 percent of our local revenue is directly affected by economic factors. Secondly, Cleveland has not equally shared with the rest of the nation in the economy's up-turn. The potential loss of two major sources of federal assistance--revenue sharing and Community Development Block Grant funds--will total over $43 million. To make up that loss would mean our local wages that are subject to our payroll tax would have to grow by about 16 percent. That would be great, but that kind of growth is not in the cards.

The negative impacts of reducing and eventually eliminating assistance to the cities will hamper our short-run ability to deliver services on a day-to-day basis as well as limit our ability to build our local economy including the city's infrastructure. These impacts seem to be viewed as very minimal or even totally overlooked in Washington possibly because they appear to be indirect.

But from the perspective of Cleveland and every other American city, they will have a very direct impact on our residents, regardless of the method used to make these cuts, be it Gramm-Rudman, the President's proposed budget or any other method which cuts this very vital assistance to cities.

In 1980, the City of Cleveland received a Community Development Block Grant allocation of $39.3 million. In 1986, we are expecting only $19.9 million, a reduction of almost 50 percent. With inflation taken into account, the real reduction in our program capacity will be over 60 percent.

In the current year alone, we are facing a 31 percent reduction from last year's block grant budget. There will be a 10 percent reduction as a result of the lower HUD appropriation passed by Congress, a 1 percent reduction from new cities coming into the program, and an approximately 5 percent reduction from the first round Gramm-Rudman across-the-board cuts.

The largest portion of the reduction, amounting to 15 percent of last year's allocation, will result from the President's decision to defer spending of $500 million in block grant funds until next year. This will cost the City of Cleveland $4.3 million. While overturning a deferral is technically possible, it appears that it would require legislation passed by both Houses of Congress and signed by the President. In the absence of such legislation, the deferral will remain in effect.

To fully understand the impact of the loss of block grant funds, it is necessary to measure the funding cuts, not only in terms of dollars, but also of what those dollars represent. Block grant funds have been used to fund a wide range of activities in Cleveland. Thus, $1,000,000 in CDBG funding could provide:

- Rehabilitation of 75 houses;
- Weatherization of 400 houses;
- Paint for 5,000 houses;
- 65,000 hours of day care for children of low income working parents;
- 400,000 meals for low-income persons;

- Summer employment for 500 persons to clean vacant lots; or
- Renovation of 8 neighborhood playgrounds.

Even more significant are the lost opportunities for using block grant funds to leverage other public and private investments. In 1984-85, block grant expenditures of just under $9 million were able to leverage more than $42 million in private investment and other public funds. The projects involved included housing rehabilitation, new housing construction, public improvements, commercial revitalization, economic development, and improvements in social service agencies.

Particularly in cases where private investment results, the impact of CDBG can be further enhanced by the creation of jobs and the generation of new federal, state, and local tax revenues. Thus, Cleveland stands to lose much more than the approximately $9 million being cut from our block grant budget this year.

The state of federally assisted housing programs is equally grim.

In 1981, the federal budget for assisted housing was $26.7 billion. This was sufficient to fund 220,501 additional units. The 1986 appropriation passed by Congress included $10.8 billion to fund 111,500 units.

However, as a result of Gramm-Rudman and the Administration's proposed rescissions and deferrals, the actual amount available in 1986 will be reduced to $3.7 billion for 66,714 units. By 1987, this would be cut to $2.3 billion and 50,000 units, a reduction in the housing budget since 1981 of over 91 percent.

By next year, only the housing voucher program would remain to provide future housing assistance. Eliminated would be rental rehabilitation grants, Section 8 moderate rehabilitation, Section 312 loans. HoDAG, public housing construction, Section 8 existing housing and Section 202 construction for the elderly. The Section 8 new construction and substantial rehabilitation programs have already been eliminated since 1981.

Locally, Cleveland's existing stock of over 12,000 public housing units will continue to deteriorate as operating subsidies fail to keep up with inflation and vital modernization funds are slashed. In 1981, the federal budget included funding for $927 million in public housing modernization. The 1986 appropriation allowed for approximately $750 million. But after the first round Gramm-Rudman cuts and the Administration's proposed rescissions, only $225 million will be available this year with the same amount proposed for next year. With 75 percent of the public housing stock in Cleveland being more than 40 years old, adequate modernization funding is increasingly essential to its survival.

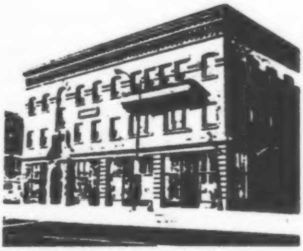
Over the past several years, we have been successfully utilizing federal housing and community development funds to revitalize Cleveland's neighborhoods. Given the actions taking place in Washington, it is clear that our progress is going to be substantially slowed. The real question is whether this type of activity will be totally eliminated over the next few years.

The Director of the Congressional Budget Office has stated that Gramm-Rudman could trigger an additional 25 percent reduction in all domestic program levels in 1987. Taken to its illogical conclusion, Gramm-Rudman threatens to terminate virtually all federal domestic programs by 1991. And, with Ohio law prohibiting the use of state and local funds for most housing, commercial, and economic development activities, there would at best be only a minimal role for the public sector in efforts to move Cleveland forward.

It is time for all who care about the future of our cities to take up the struggle to save them. This means making it clear to members of Congress and the Administration that they must take immediate action to halt the indiscriminate plundering of domestic spending programs, such as the Community Development Block Grant, and then commit themselves to developing a fair and balanced approach to deficit reduction.

I thank the committee for this opportunity to present our concerns today. We appreciate the difficult task before you and we trust that the needs and concerns of all American cities will be heard.

Introduced by Mayor Voinovich
FOR THE RECORD of 3-11-86



The Miller Building: just completed....

The Cermak Building: renovation begins.

Historic Buildings Renovated With CDBG Funds

Two neighborhood buildings that are listed on the National Register of Historic Places are being renovated this year with the assistance of Block Grant funds. Rehabilitation of the Miller Building on the Near West Side was completed in August while work was scheduled to begin in October on the Cermak Building in Union-Miles.

Both projects took advantage of Community Development's Multi-Family Loan Program, and both were financed primarily with loans from Cleveland Action to Support Housing (CASH) which utilizes Block Grant monies to lower its interest rate. Other similarities are that both are commercial-residential structures built around the turn of the century.

The Miller Building at 3200 Lorain Avenue contains 18 apartments and three ground floor units which house the Hispanic Senior Center, a barbershop, and an office for Near West Neighbors in Actions.

That community organization joined with three other groups to form the Near West Housing Partnership. Together they bought the building at a sheriff's auction. The entire cost of acquisition, development and rehabilitation exceeds half-a-million dollars with rehab accounting for $371,610.

Through CASH, the owner obtained a $325,000 loan from Society National Bank at 9½% interest for 15 years. They also received a deferred loan of $77,250 at 8% interest from CD's Multi-Family Loan Program, designed to implement HUD's Section 8 Moderate Rehabilitation Program. Eighteen families are now living in apartments that meet code standards while paying 30% of their income as rent.

The Cermak Building will contain 11 apartments and two commercial units after the $582,494 renovation project is completed. The Tudor-style building is named after pharmacy owner Fred Cermak who will be expanding his facilities to sell convenient-type foods. It is located at 9501 E. 93rd Street.

The Union-Miles Development Corporation formed a limited partnership for the rehabilitation project. Ameritrust is providing a loan of $175,000 at 9½% interest through CASH, and Community Development is providing a loan of $79,394 through the Multi-Family Loan Program.

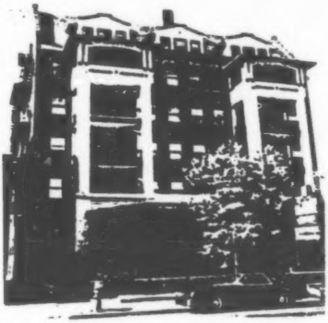
The City also is providing a facade renovation loan of $19,000 in Block Grant monies and a $50,000 loan in Economic Development Administration monies.

Rental Rehab Funds Boost Downtown Living

Prospects for downtown apartment living are about to be boosted through CD's Rental Rehabilitation Program. The historic Stockbridge Apartments at 3328 Euclid Avenue will be renovated this summer at a cost of $659,627 — nearly half of which will be provided by the federal government as a 5% loan for 15 years.

The four-story brick building currently contains 108 units, a mixture of hotel sleeping rooms and one-bedroom apartments. After renovation it will consist of 24 efficiency suites, 47 one-bedroom apartments, and 10 two-bedroom units. Its 50-car parking lot will be resurfaced as part of the rehabilitation program and a handicapped ramp will be installed.

Owner James Stack has obtained a $347,000 loan from AmeriTrust and currently is seeking bids from contractors for the work, scheduled to begin in late summer.



Nearly all of the existing tenants plan to remain, according to Stack, and about 45 will qualify for Section 8 certificates or vouchers. Rents will vary from $248 to $350 a month. Under the Rental Rehabilitation Program, 70% of the units must be rented to low-or-moderate income persons. The Cuyahoga Metropolitan Housing Authority will make available a rental certificate or voucher for every $5000 in rehabilitation monies provided by the City.

Stack has applied to have the Stockbridge listed as an historic landmark. The building has housed a number of celebrities and dignitaries over the years. Photos are displayed in the lobby of Bob Hope and other vaudeville entertainers who stayed there while appearing at the Palace or Hippodrome theatres. In more recent years, sleeping rooms had been in demand when the old Cleveland Arena was in operation across the street. Now, Stack anticipates a market among single downtown office workers.

The Stockbridge will be the largest residential building to be renovated through the Rental Rehabilitation Program, according to Manager Bob Hudecek of CD's Division of Rehabilitation. The City has received over $2 million in grants for the program from the U.S. Department of Housing and Urban Development since October of 1984. A total of $800,000 in projects currently are under review.

Home Conversion Begins for Shared Living

Mr. and Mrs. Julio Gomez will be the first senior citizens in the Fairfax neighborhood to take advantage of the new Shared Living Program. Their single-family house at 8010 Quincy Avenue will be converted into a two-family house to provide them with additional income and security. New Cleveland 6, a non-profit housing rehabilitation group in Ward 6, selected them to be the first beneficiaries of the program.

At the same time, two other properties will be rehabilitated and one will be demolished, all on one parcel of land. When completed, there will be a total of six dwelling units in three structures. The Stanley Building Co. is the general contractor for the project, scheduled to begin in July.

Two rooms will be added to the rear of the Gomez residence which will become two two-bedroom units. Improvements will be made to the mechanical systems and the interiors and exteriors of all three structures. The houses will be weatherized so that heating bills will be more affordable to tenants. The site of the home to be demolished will provide off-street parking for residents.

The extensive rehabilitation/conversion/demolition project will be financed with $197,000 in Block Grant funds through a Year XI pilot project. Monies will be loaned without interest to Mr. and Mrs. Gomez who are expected to pay back $800 a month to the City from their rental receipts.

Two rooms will be added to this house.

Building of $13,300,000 Lexington Village Begins in Hough

[illegible] freezing cold nearly 200 people huddled together in a vast open space at East 79th Street and Lexington Avenue on December 4 The smiling, jubilant crowd had gathered for the long awaited groundbreaking for Lexington Village The first market rate rental housing development in 50 years was about to be built in Hough

"Today is one of the proudest moments I have experienced in my five years as Mayor of this city," said Mayor George V Voinovich who called Lexington Village the turning point in the City's efforts to revitalize Cleveland's neighborhoods

He predicts that its successes will encourage other private developers to build attractive, high-quality housing even in areas considered undesirable alternatives in the past

A total of $13 3 million in public and private monies is being invested in the new development in Hough, a neighborhood once synonymous with riots and devastation

The City has committed over $5 6 million to the project, which in turn has generated nearly $7 7 million from the private sector Three funding sources were tapped for the City's involvement

First, $1 million in Community Development Block Grant funds is being loaned at reduced rates The City also spent $2 million in Urban Renewal funds for site preparation, demolition, and relocation of former residents

In addition, an Urban Development Action Grant (UDAG) was received from the U S Department of Housing & Urban Development The City is loaning the $2 660 400 to the developer at 8% interest for a period of 15 years

AmeriTrust is providing over $2 million at cost for a construction loan and first mortgage on the development Some of the other major funders include Ford Foundation, at $1,100,000, Cleveland Foundation, $800 000, George Gund Foundation, $333 000, Local Initiatives Support Corporation, $250,000, and Sohio, $200 000

Nearly $3 million is being provided by private investors through a syndicated limited partnership formed by the developer

The developer of Lexington Village is McCormack Baron & Associates, Inc, a nationally-known firm based in St Louis Its successes in similar projects can be attributed to rigorous enforcement of residential standards and the involvement of neighborhood people in management

In Cleveland, ongoing involvement will be provided by the Famicos Foundation, a respected non-profit housing corporation McCormack Baron is training the Famicos staff in large-scale property management, including screening of applicants

By late summer, the first of those applicants will be moving into 183 townhouse and garden apartments clustered into buildings containing two to six units Rents will range from $285 for a one-bedroom apartment to $360 for a three-bedroom unit Twenty percent of the units will be set aside for low-and moderate income families, including holders of Section 8 certificates

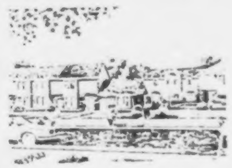
Recreational facilities also will be built during the first phase of the development Nearly 9000 square feet will be devoted to a community center, tennis courts, and a swimming pool

When all three phases of Lexington Village are completed, perhaps in five or ten years, the complex will consist of 606 units, built on 31 acres of land

The Community Development Department has been closely involved with Lexington Village since it was proposed in 1982 Richard D Baron, President of McCormack Baron, visited CD Director Vincent J Lombardi to seek the City's financial support of the project

After visiting St Louis and observing first hand the McCormack-Baron developments, Director Lombardi recommended the project to Mayor Voinovich and City Council He also assigned a coordinator from the CD staff—William Resseger, Manager of Planning & Policy Development

CD's Division of Redevelopment had the responsibility of acquiring land, transferring it to the developer, and relocating 38 families The Building & Housing Division reviewed all plans and issued the necessary permits



Breaking ground are Bob Wolfe (left) of Famicos, CD's Bill Resseger (in dark coat), Mayor Voinovich, Councilman Fannie Lewis, Council President George Forbes, and developer Richard Baron.

PROJECTS NOT IMPLEMENTED
AS A RESULT OF GRAMM-RUDMAN

Program/Project	Number of Projects	Project Investment	Loan Amount	Existing Jobs	Projected to be Created	Filled to Date
EDA TITLE IX	36	12,470,116	2,116,181	513	513	340
SBA 503	8	2,531,500	988,000	149	125	212
SBRLF	19	1,973,759	619,000	144	81	6
HUD 108	3	1,531,500	740,000	124	22	-8
UDAG	32	348,951,210	64,137,764	4,420	5,162	963
UDAG Revolving Loan	5	1,081,417	700,000	16	56	0
OTHER	3	3,186,446	2,260,000	253	70	47

Testimony of Boston City Councillor Maura A. Hennigan
House Banking Subcommittee on Housing and Community Development

Chairman Gonzalez, members of the Committee, my name is Maura A. Hennigan. I am a Boston City Councillor and Chair of that body's Housing Committee, I thank you for the opportunity to testify as to the plight of this nation's housing stock.

In Boston our situation is desparate with precious little new housing starts and rampant conversion of existing units to upscale apartments and condominiums. Indeed Boston's boom inbuilding has left the low income renter, literally out in the cold. Most recent figures indicate that the largest influx of new residents to the city are from two groups, young urban professionals and immigrants. One class can afford the available housing the other cannot. Clearly, a response from Washington is needed to address this problem on a national level. There is only so much that local and state government can do. Even in Massachusetts with the nation's strongest economy, we are hamstrung in our efforts. A sound, humane and economical housing policy must be annunciated here in Washington.

The Gramm-Rudman-Hollings across the board cuts in the budget will have a no less than devastating effect on those seeking housing in this nation.

Housing must be viewed as a basic human need. The lack of adequate and affordable units is an emergency to be dealt with immediately. In the long run, affordable housing will do more to free our poor from the cycle of poverty than two decades of social welfare programs by freeing a greater portion of their income from the cost of sheltering their families. A cry is rising up from across the land, HEAR IT--HEED IT.

A great lady stands in New York harbor. She has seen some tough times but is, at this very moment being restored to her original resplendent condition. The base of her pedestal is adorned with this quote "Give me your tired your poor huddled masses yearning to breath free....I urge you, on the eve of her birthday to reinforce, to all of our citizens, the true meaning of those words. You do not come to America to remain huddles masses; you come to America to America to live decedntly, to live freely. A vital part of that freedom should be decent affordable housing. Thank you.

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REAUTHORIZATION OF COMMUNITY DEVELOPMENT BLOCK GRANT/URBAN DEVELOPMENT ACTION GRANT PROGRAMS AND HOME MORTGAGE DISCLOSURE ACT

MONDAY, MAY 5, 1986

House of Representatives,
Subcommittee on Housing
and Community Development,
Committee on Banking, Finance and Urban Affairs,
Washington, DC.

The subcommittee met, pursuant to call, at 2 p.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez (chairman of the subcommittee) presiding.

Present: Chairman Gonzalez, Representatives Mitchell and Levin.

Chairman Gonzalez. The subcommittee will please come to order. I want to thank you very much for your keen interest and concern.

I for one am always elated to have the people for whom these rooms were built here in Washington, DC.

The Subcommittee on Housing and Community Development is very pleased to have the opportunity once again, affording National People's Action the opportunity during their annual Washington meeting to testify before us on the activities that are going on in their many urban, suburban, and rural communities.

We are most interested in hearing about what effect the massive reductions in Federal programs have had upon your efforts.

We know that in the last year and a half alone, the Community Development Block Grant Program has been cut back by 30 percent, and most of this cutback has been actually initiated on the congressional level, in obedience, of course, to the budgetary exigencies on the executive level.

The Community Development Block Grant Program is an important one for the neighborhood groups represented by National People's Action; it funds many of the activities and programs that neighborhood groups are involved in.

The initiative of returning government to local hands is being curtailed by the massive cutbacks in programs such as the Community Development Block Grant Program.

The purpose of this hearing, as I stated earlier, is to afford the people in the neighborhood and community groups represented by National People's Action the opportunity to have their say before the Congress.

We have a large witness list. Most of the witnesses will have very brief statements on what they feel is the situation in their communities and how the Federal cutbacks have affected them.

We will begin the hearing with a person that we know has labored long in this area and is nationally esteemed, Gale Cincotta, the long-time chairperson of National People's Action, and her distinguished mayor, our former colleague in Congress, the Honorable Harold Washington, the mayor of Chicago.

I wish to commend Mayor Washington for his outspoken criticism of the manner in which the administration and the Congress have dealt with problems of our cities, in particular his criticism of the President.

He and I have been individually outspoken and critical, so I feel comfortable with his presence here this afternoon.

This criticism sometimes has sounded very lonely, but always with the knowledge that I feel secure that Mayor Washington, as well as myself, have an intimate contact, a knowledge with the people who have chosen us to serve as their representatives, at least for a while.

Mayor Washington, let me welcome you once again before our subcommittee. We will hear Ms. Cincotta and Mayor Washington together, and when they have completed their testimony, we will hear briefly from the individuals listed on our witness list, so I would urge people to be brief and to the point so that everyone will have an opportunity to have their say.

Some of the members of the subcommittee and others who have some of their constituents here are on their way. Some are barely arriving in Washington.

Today the House had no formal voting activity, so most of the Members are returning to the Capitol today.

Without any further ado, we will recognize the mayor and say, once again, thank you very much for coming all the way up here and being with us.

STATEMENT OF GALE CINCOTTA, CHAIRPERSON, NATIONAL PEOPLE'S ACTION, CHICAGO

Ms. CINCOTTA. We thought since it was your birthday tomorrow that we all came together and brought our mayor from the city of Chicago with us to wish you a happy birthday.

You never get to see real people up in this place.

I wanted to start off by telling you where we were earlier today. If a new lobbyist shows up here and starts saying the right things, it is because we had about 400 folks from National People's Action in his office this morning. We visited Michael Deaver and said it was about time he starts lobbying for the people in this country against waste in defense spending and for more people's programs.

So, we were over there also, today.

[The letter of Gale Cincotta dated April 18, 1986 may be found in the appendix.]

Chairman GONZALEZ. That is a great birthday gift.

If you don't mind, I didn't want to interrupt you. I notice the presence of two of my distinguished colleagues, and I was going to give them the opportunity to express themselves.

Mr. Mitchell is a member of the committee, so I will recognize him. He has seniority, too.

Mr. MITCHELL. It looks awfully good out there.

First of all, Mr. Mayor, you know the high esteem I have for you, and God knows if there ever was a people's mayor, you are it. [Applause.]

Second, we have to do this more often. You know, I get tired of sitting up here and seeing the representatives from the administration come in to testify. They all sold out anyway.

And we hear all the experts. Somehow or other we have to find money to bring in the right people.

This room belongs to you, really. [Applause.]

I am just glad you are here; you know where we stand. I am just grateful.

The only thing any administration really fears is the power of people. I have learned that. That is the only thing they really fear.

Thank you. Welcome. I too wish it were my birthday today.

Chairman GONZALEZ. Thank you very much.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

I am just here to bear witness to the testimony of the mayor, my friend and the chief executive of the greatest city in the world, Chicago.

And I just want to hear him at least talk about and give us some of the problems which I am quite familiar with which Chicago is faced with as we find our programs emasculated by the proposed cuts under Gramm-Rudman and other constraints as we purport to reach what we consider to be a balanced budget.

It is usually on the backs of those who can least afford it. I know the mayor is very conversant with this problem, and I want to be here.

I must say happy birthday, too, to you.

Chairman GONZALEZ. Thank you.

Congressman Levin from the great State of Michigan.

Mr. LEVIN. I think the words have been said eloquently, including happy birthday.

The only quarrel I have, for example, with my distinguished colleague from Maryland, Mr. Mitchell, is that he is retiring.

Other than that I have agreed with everything he has said and everything he has done here. [Applause.]

Chairman GONZALEZ. Thank you very much, Mr. Levin.

I also wanted to say one thing. Of course, I was hoping Mr. Mitchell would have a change of heart and mind. Maybe we can work on him. I don't know.

Mr. HAYES. Don't give up. We are still working on him.

Chairman GONZALEZ. I am with you.

He said one thing. He said he was sick and tired of hearing the administration witnesses.

Well, my problem, Parren, is we can't get the right administration witnesses. I have been trying to get Secretary Pierce for 7 months, and I have demands from not less than nine Congressmen who are willing to vote off on a subpoena so that we can get tired enough of Secretary Pierce's delays.

We can't get tired enough ever of hearing people, no matter if they are high administrative officials that have the power of judgmentmaking and the decision power, but what I do get tired of is hearing witnesses that come before us and say, "We are here because we were told to be here, but we can't answer your questions because we are not in a position to answer."

That is what I am tired of.

But in the absence of any other Congressmen, Mayor, we will proceed and hear you, unless Gale has something else to say.

Ms. **CINCOTTA**. All I wanted to do was introduce him as our people's mayor, Mayor Harold Washington from the city of Chicago. [Applause.]

STATEMENT OF HON. HAROLD WASHINGTON, MAYOR, CITY OF CHICAGO, IL

Mayor **WASHINGTON**. Thank you, Chairman Gonzalez. Happy birthday. I will be with you tomorrow. I won't be able to stay as long as I desired. But I will have something going in competition with you tomorrow, but not so important I can't break it——

Chairman **GONZALEZ**. I got your invitation, and I couldn't go to yours because I was having mine.

Mayor **WASHINGTON**. Actually, I didn't come up here to testify. I came up here to come to your birthday party.

To my Congressman Charley Hayes, it is good to see you. I don't think Mr. Mitchell is going to retire. I think he is just kidding you a little bit. You had better not retire. He is a matchless person. He has done a heck of a good job, and I know Congressman Levin recognizes that.

I have a submission I would like to place in the record. It is called the Chicago Federal Agenda.

It is the second year we have come out with it, and it deals with suggestions coming from Chicago, a compilation of ideas and recommendations which we in our city—speaking, hopefully, for other cities—and I think we do by virtue of our position as chairman of the Committee on Housing in the Conference of Mayors, a submission which we hope that this committee will take under consideration, because a good deal of it deals with the question of low and moderate income housing.

So, with your permission, Mr. Chairman, I will submit it for consideration.

Chairman **GONZALEZ**. Certainly. Without objection, your document will be placed in the record at this point.

[The document referred to entitled "Chicago Federal Agenda" can be found in the appendix.]

Mayor **WASHINGTON**. I will be rather brief because you do have many witnesses here today.

But I wouldn't want to get to the heart of my testimony without making it clear for the record that Chicago has gone through a renaissance period.

And our last 3 years, to me, have been matchless years of trying to right a city from a 20-year decline in which we have lost a good deal of population.

We have lost 600,000 in population. We have lost about 5,000 in commercial enterprises and a hundred some odd thousand jobs over a 10-year span prior to my coming into office.

We have been able to turn it around starting with what we inherited was a $100 million deficit, and we have been able to wipe that out and push our city in a direction of a real growth-based city.

We have redirected the emphasis of developing from strictly downtown to a balanced development in which we recognize in order for a city to grow, any city, you have to take care of the business interests, the business development, whatever that is, and at the same time make sure that you do not lack attention to the neighborhoods, which in our city provides 75 percent of the jobs.

So, we have turned it around a good deal.

Throughout my testimony today you will hear words like "leveraging," "balances," those kinds of techniques we have used to turn this whole business around.

We see the light at the end of the tunnel, and I think that is quite a statement to make being the largest midwestern city which has been visited by this decline over the past 12 years.

We see that light at the end of the tunnel, and we are very, very hopeful about it, except now we hear a crashing thundering coming down of the Federal Government removing the very underpinnings and removing the very programs which we were dependent upon to help pull us out of this tragic situation.

We are here to talk about one face of that which happens to be the housing program, relative to the Reagan cuts.

Today, I am here in the presence of a tremendous woman, Ms. Gale Cincotta, National People's Action, and the representative of hundreds of community-based organizations from around the country to portray to the honorable members of this committee the impact on our communities of cutbacks in programs from low and moderate income housing, and the community development block grant.

I could not be here in better company, and I would like to point out Ms. Cincotta is the chairperson of our Commission on Women's Affairs, and she has extended her tremendous ability to get things done to the whole area of women's rights and those areas with which she is deeply concerned.

So, she is truly a tremendous person, and it is not with reluctance we allow her to travel the country. Even though she has ultimate talents, we know she has a desire to do something about not just her city but her country.

In Chicago we would be left with a central services of police, fire, sanitation, health, and a bare minimum of social institutions if the general revenue funds were cut.

So, we are opposed to that cut.

Historically, much of the deterioration and destruction of low income housing in our communities has resulted from a basic unwillingness of private sector financial institutions and entrepreneurs to invest in the low income communities of our cities.

For years government has been the only source of development for housing and economic development in these major communities.

Fortunately, perceptive community leaders such as Gale Cincotta realize government funds could not do it alone, and that efforts to maintain and rehabilitate and develop low and moderate income housing could be successful only through a coordinated effort involving government, in this case the city of Chicago, the private sector, banks and other institutions, and the community which is typified by her presence.

Because of the perseverance of many of the community leaders in this room, the Congress has passed such laws as the Community Reinvestment Act, which has been largely responsible for the increasing willingness of the private sector to invest in low and moderate income communities.

In Chicago, increased private sector involvement in the regeneration of low income housing has resulted in such innovative programs as the Chicago Housing Partnership.

The Partnership is a new public/private collaboration whose goal is to generate $50 million to rehabilitate 1,250 low and moderate income apartments by 1988.

This effort demonstrates the substantial progress in housing which is possible when public and private funds are used together for a common purpose.

The partners are the city's department of housing local leaders, such as Ms. Cincotta; the Equity Fund and not-for-profit housing developers, such as LISC, Local Initiative Support Corporation, which is an affiliate of the Ford Foundation.

In partnership are the new Equity Fund, the first of its kind in the Nation, which pools investments from major non-housing corporations to provide sorely needed equity, and the new Community Equity Assistance Corporation, which brokers or administers deals and packages to loans originated by neighborhood housing development organizations.

This partnership lowers the risk of lending and takes the necessary work out of financing low and moderate income housing.

The result is that the citizens can rent apartments renting at $325 a month with minimum Federal operating subsidy.

Our corporate partners are not contributing to the Equity Fund; they are actually buying investment shares.

In return, they enjoy tax advantages and share in the cash flow from the projects.

If the project is sold, these corporations, as well as not-for-profit neighborhood developers, will split the proceeds.

To date, 13 corporations have purchased shares worth $6.4 million in equity investment. These corporations include Amoco, Commonwealth Edison, Dart and Kraft, First National Bank of Chicago, Paris Trust and Savings Bank, Illinois Telephone, Johnson Publishing Company, People's Gas, Quaker Oats, Sara Lee, Sears, and the Tribune Co.

The first year of the partnership we have financed 12 neighborhood projects, but unfortunately the partnership has a cloudy future.

The demands of real estate development, particularly lower income housing, mean that investors first make a commitment which attracts other partners and then keep their commitment up to and beyond the closing.

If one partner pulls out, the deal collapses. Now that the basis of this partnership has been established and formalized through structures such as the Chicago Housing Partnership, the Federal Government is threatening to pull out.

This will force the city to renege on its deal with funds it gives to community development block grant funds, in this case approximately $15 million.

And so, for want of $15 million, a program innovative in its aspects, functional, joined in by the people who in the main will be the beneficiaries of it, a situation that will help bring about a rejuvenation of the Chicago housing stock, will go awanting because of Gramm-Rudman.

President Reagan or his administration has blinders on what is going on in the cities and choose to call or dub our cities "special interest groups."

That, to me, is a canard almost beyond my ability to respond. But let me marshal up some courage and energy to do so.

Our cities are not special interest groups. Our cities are the repositories of our culture and in Chicago, Los Angeles, New York, Detroit, Atlanta, Birmingham, you name them, you will see man's contributions to man from day one on up.

Our architecture, our art, our hotels, our cuisine, our educational institutions, health spas, service units, high technology—you name it; they are in these large cities.

Art, culture, literature, the ballet, symphony, jazz—you name it; it is there.

The whole spectrum of man's contributions to mankind over a period of centuries and centuries are in these emporiums called cities.

To call them special interest groups is to put them into a category which then makes it easier to stick them in a computer called Gramm-Rudman.

We simply will not tolerate it. We do not accept that designation. [Applause.]

While we were grappling with the possibility of licensing most of the revenue available for housing investment we face the possibility of losing basic funding for the very community organizations who have been responsible for the overall success of the CDBG programs.

Last year for the first time in many years we in Chicago, for example, were able to develop or rehabilitate more housing units than we lost.

This remarkable turnabout has been largely due to the work of such groups as the Northwest Community organization. To give just one example, using community development block grant monies, the city of Chicago has been able to fund these and other groups to successfully fight housing abandonment.

In the Housing Abandonment Prevention Program, we used a small grant of $60,000 to establish two abandonment prevention centers in the areas served by these groups as well as in eight others through the city.

Using their intimate knowledge of the community, these groups identified and saved eight problem buildings, housing 1982 low and moderate income families.

The group worked with owners and tenants and with the city to secure short-term loans to repair boilers and roofs preventing buildings from becoming vacated and otherwise insuring the buildings' survival.

These high risk loans are also funded by community development moneys.

In addition, groups such as the National Training and Information Center have monitored compliance with the Community Reinvestment Act and provided other basic frontline housing services and helped generate a new willingness by the private sector to engage in housing and economic development activities.

The key to this effective monitoring has been the Home Mortgage Disclosure Act which I urge you to renew on a permanent basis. [Applause.]

Without CDBG funds to finance these basic communities, the housing services, we are in danger of once again facing the continued destruction of our housing without being able to do anything about it.

Today I am here to tell the Federal Government to honor its commitment and continue to work with us to rebuild our cities.

The President's recommendations, if adopted, would cut the CDBG budget 34.8 percent, making it impossible for any city to develop housing for low- and moderate-income persons.

We need to fight for reorganization of the CDBG Program at the current level, at least for 3 more years.

The cutbacks in the CDBG Program are only the beginning.

The area of housing alone, the Reagan administration proposes eliminating—eliminating, not cutting back—the Rental Rehabilitation Program, the section 312 Rehabilitation Loan Program, the section 202 Elderly and Handicapped Housing Program, housing counseling acceptance, housing development action grants, and several rural housing programs.

While Federal budget cuts are scheduled for discrete line items, they cannot be evaluated in isolation.

The total elimination of revenue sharing, for example, would result in the loss of $67 million for Chicago's budget.

To maintain existing service levels we would be forced to identify $67 million from other sources.

But if the administration cuts go through, we would have no other sources.

In fact, if the future budget cutting package proposed by the President is implemented, Chicago alone will lose over $500 million in Federal funding compared with 1987 funding levels.

This isn't simply getting rid of the fat in Government; this is literal carnage.

In past years a common theme in Federal Government debates has been for all of us in Government to bite the bullet and take our share.

But the reality is that between 1981 and 1986 the CDBG budget has dropped 20 percent while the Defense budget has increased 108 percent.

This does not constitute equity to me. [Applause.]

I am almost finished, Mr. Chairman, but I just want to get another point or two out.

One more way to underscore the inequities of Federal policy on defending our country versus rebuilding our country is to consider this startling comparison.

In 1977 for every dollar that was committed to defense, 26 cents was committed to low income housing.

In 1980, that housing figure had dropped to 19 cents during President Carter's last budget.

In 1981, the housing figure was down to 14 cents, and the present fiscal 1986, the President's latest proposal, it was less than 1 percent.

Direct Federal assistance, of course, is not the only category of Federal policy affecting the ability of our cities to develop housing and economic development opportunities for low and moderate income citizens; provisions in the Tax Code currently allow us to issue tax exempt bonds to provide many public services and rebuild our cities.

Last year we called on Congress to continue to permit the use of tax exempt bonds for important public purposes.

Now we are caught in a web of uncertainty. One House of Congress has acted by rewriting the code, but has shed no light on the statutes of tax exempt projects due last year.

In our city alone, we have more than 400 million dollars' worth of housing projects, according to this precarious State.

This represents approximately 3,700 units of new and rehabilitated housing, one-fifth of which is targeted to low and moderate income housing.

I can go on and on and on with this litany of horrors, Mr. Chairman. I need not do it. Others can do it better.

We are here today to simply alert the Congress, to in turn press upon the President of these United States that these draconian cuts will cut the very life out of our vital cities, the cities will be shattered.

It is like piercing the very heart of this great country when you devastate the cities just for example.

We urge you as best you can to continue, Mr. Gonzalez, the fine work that you have done over the past 5 years in trying to bring some degree of sanity to an administration which has gone absolutely and totally and completely beserk. [Applause.]

[The information referred to can be found in the appendix.]

Chairman GONZALEZ. Let the record show me saying "amen, brother." [Applause.]

I know you have to leave, but I wanted to say this. You said something here today 5½ years after going back to my district in San Antonio, which has gone down from over $20 million in 1981 to about $11 million in 1986.

I said at the time that we were fighting a state of mind. You can't argue or reason with a state of mind.

What I felt the country was pointing to was a national size stunt, where the people were being told, "Try this potion for life," and later they were dying all over the place.

What I pointed out then was, people will go along with the stunt until everybody else dropping dead. When they begin to hesitate the enforcer will come by with a gun and say, "Which way do you want to go?"

This is what we are seeing now. Which way do we want to go?

I said 5 years ago a $315 billion so-called defense budget is not a defense budget; it is a war budget.

I just have to say that, because I was very heavily criticized by newspaper commentary, which you always face anyway, but I wish I had been wrong for the sake of the country.

But we are now wrong, and you come from the cutting edge. It is very stressing, because it seems that here we have lost the battle.

I think everyone of us here is in the trenches for the duration of this administration, Mayor, and we are going to be doing everything we know how to prove to you that somebody in the Congress and, essentially, the majority, will be in there taking advantage of what I have said before.

I have sat on this committee since I came here 25 years ago, but until lately I have never seen coming from the cities, from the grassroots, such great talent, and preparation including my own city.

Everywhere we have gone, and I have traveled since being chairman of the subcommittee to over 37 States and over 65 communities—and witnessed the local talent that has developed, and how the Federal Government clamps around them.

We have to have the Federal/local partnership restored, because only working together can we keep that which this still-dynamic country must have.

We cannot suffer more like you said awhile ago, if you have a house you have to have a sewage system; you have to have a water system; and you have to have streets.

Everything centers around that one precious ingredient which is shelter, and so I can't tell you in words what your presence here means.

As I have told you before, you have come from a very, very difficult place. You confront giant problems, and I want to congratulate you for having overcome tremendous, almost insuperable obstacles.

You have accomplished mission impossible. [Applause.]

We will just act, do the best we know how. We will continue.

Thank you very much for your being here.

Mayor WASHINGTON. It is very good to be here, Mr. Chairman.

Chairman GONZALEZ. We realize you have to go, and we will turn it over to Ms. Cincotta.

Mayor WASHINGTON. Thank you, Mr. Chairman. [Applause.]

Mr. MITCHELL. Mr. Chairman.

Chairman GONZALEZ. Mr. Mitchell.

Mr. MITCHELL. In light of Mayor Washington's remarks, I wanted to make one brief statement.

He alluded to the Home Mortgage Disclosure Act, and of course, we are committed on this committee to preserving it, but I would like, if possible, to submit this document for the record.

It is published by the Hubert Humphrey Institute of Public Affairs of the University of Minnesota, and it proves how the Home Mortgage Disclosure Act has really provided a tool for community capital.

It is fascinating to see $3.7 million in capital resulting from the Home Mortgage Disclosure Act. If anybody is here from the Institute who can get us some more copies of this, I think it would be beneficial for all the members of the Housing Committee to have it.

I submit this one for the record.

Chairman Gonzalez. Without objection, this document will be submitted for the record at this point.

We thank you, Mr. Mitchell. Thank you very much. [Applause.]

[The document published by the Hubert Humphrey Institute of Public Affairs dated September 1985 can be found in the appendix.]

Chairman Gonzalez. Well, Ms. Cincotta.

Ms. Cincotta. Thank you. I have also submitted one of these. At the National Training and Information Center in Chicago, we did all the survey work, and since this was printed, we have gotten over $100 million more in agreements from financial institutions in various cities.

So, we are updating it. The total is $105.9 million that I want to submit, also, since this study was done.

[The document on Update on CRA Agreements by the National Training and Information Center in Chicago can be found in the appendix.]

Ms. Cincotta. One of the things I want to start off with and ask for is something that doesn't cost the Federal Government anything.

It seems a shame we have to come back and bring it up again, but what Mr. Mitchell said is that the Home Mortgage Disclosure——

Chairman Gonzalez. The young man at the door, there are some chairs here if the people outside want to come in.

Ms. Cincotta. They are taking pictures with the mayor.

The Home Mortgage Disclosure Act tied in with the Community Reinvestment Act has produced over $4 billion of money for housing and economic development.

In fact, its produced even more than that, but $4 billion is what we can document. That we have to come back here and hear that now the House is talking about a 3-year law back-dated a year ago so that it would expire September 1988, even before the national election is really a shame. It just seems like here is something you can do that doesn't cost you money.

And I think that what has to be said by the Congress here and the folks that say we are on the same side together is that we can't sit back and wait to decide what Reagan is going to ask for next.

I think you have to start an offensive and say:

> HMDA, Mr. Reagan, is what you said, private sector it doesn't cost the Federal Government. We don't even want to hear you and your friends in Congress that say it shouldn't be a permanent law. It produces money. It makes private sector cough up like you said they were supposed to, so that HMDA is even under question for a 3-year law or 2-year law is beyond our comprehension, because it doesn't cost anybody anything. It works. We need it. The Community-Reinvestment Act is useless without it.

So, the one thing, if we can get out today, is we have to have this law. It has to be. [Applause.]

Now, getting to the harder point, and I know you are going to have folks from San Antonio here. They have a new $5 million agreement with one of the banks of San Antonio that the ROBBED

Organization negotiated. This supplements dollars coming from the Federal Government.

When we move down to the things we need, I hope I don't have to tell you how bad the housing situation and the community situation is.

The mayor talked about a lot of problems. We have been in the process of putting together partnerships so that you do need HUD money. You do need CDBG money, and instead of asking you to hold the line on any more cuts, I think you ought to take a big offensive action and say, "We want $6 billion in CDBG."

That is what is needed. That is what we should get. [Applause.]

We need the UDAG programs. What we had before we should get. We need special programs to take the place of section 8, and I think that from our experience with nonprofit that are housing folks and multifamily units, we need a program that is fairly large.

And I would suggest at a start $500 million and that only nonprofits could take part. We need an up-front subsidy of $5,000 to $10,000 per unit, so that they could bring in these buildings at a low rent if they had that kind of up-front money to do that multifamily housing. Right now there is nothing being built for low-income folks.

But this kind of subsidy, instead of the cost of a section 8, would have thousands and thousands of units, because the nonprofits do them without making a lot of money on it.

In Chicago, we have a tax reactivation program where we get the buildings free and say we are going to bring them back on the tax rolls in 6 months. So that kind of subsidy right up front will make the difference.

When you talk about where you are going to get the money in the climate in Washington—we have an answer. I am submitting for the record this document.

It says:

> Read this. In 5 minutes you will know how to wipe out the deficit, balance the budget, increase spending on economic and social programs, maintain the strong national defense, and create a huge budget surplus; all this without Gramm-Rudman.

[Applause.]

[The document referred to can be found in the appendix.]

Ms. CINCOTTA. And it is our way of demystifying the issue, of breaking it down into common language. We went through in our office all the hearings, all the freedom of information requests about defense waste and have documented and put the calculator to them.

Nobody has done that and it shows over $100 billion in yearly savings could be realized by eliminating Pentagon fraud, mismanagement, waste, and deficiency in the following programs, and it comes up, page 1, $100 billion.

And it is documented with all the testimony that they have said to the various committees.

So, we put that number, $100 billion a year, could be saved in the war buildup—I agree with you. It is a military budget, not a defense budget.

Anyway, $100 billion there. We looked at tax subsidies for corporations and the rich, and one figure—the increase in the annual cost of corporate tax loopholes since 1980 is $120 billion.

And the tax shelters are $24 billion. So, in our simple mind, we added 120 and 24 together and got $144 billion that could be saved by closing the loopholes given to the corporations when Reagan went in. They were supposed to increase investments, increase jobs, and do all those good things, but the charts on page 3 show that since 1980, while the loopholes have gone all the way up—what is the last figure—$144 billion—the investments actually made by the corporations have not only stayed the same, they have gone down.

So not only should you cut it off this year, you ought to make them return the money because they never did what they said they would do. [Applause.]

Again, maybe we are simple-minded, but if we were given money and a tax break and we didn't do what we were supposed to do with it, we probably would find ourselves and our organization in jail.

And I think that what is happening here is that somebody votes in Gramm-Rudman, shirking responsibility for saying this is the way it is; they haven't created the jobs.

Out of the Fortune 500, they haven't created one real job. They haven't invested in the country. They are still getting the tax loopholes and the Pentagon is wasting all that money while we sit here and talk about a measly how-much-should-it-be for all the cities of the country; can we get it to $6 billion?

I think our figures aren't big enough. Maybe the only thing folks around here and in the White House understand is if we talk about $100 billion, and they sit up and take notice.

But this is fraud against the American taxpayer. It is fraud against the Congress of the United States that put in the loopholes for them under the guise, their guise—they were going to create jobs and that they were going to invest in this country.

All they have done is use the money to get bigger and bigger. We believe the kind of welfare payments that ought to be cut off is welfare to the rich. [Applause.]

On the last page of this, when we added this all up, we came to $244 billion that could be saved. Then we subtracted the deficit for fiscal year 1987, which was $144 billion, and we came up with the surplus of $100 billion for the Federal Government.

And we want to submit this—no, maybe this is what you need to get to your folks, something demystifying, oversimplifying it, and saying, "This is what the public wants."

This is the story we carried to Michael Deaver this morning. We said, "Take our book to the President. And we want people economics, not Reagan economics, on it." [Applause.]

One more item I didn't think I would have to bring up.

Now that we have solved the deficit problem, the least we can have is the Home Mortgage Disclosure Act as a permanent law, and that the Congress better start to take a close look at the insurance industry in this country.

And I think a step toward bringing them to their senses would be to repeal the McCarran-Ferguson Act and make them accountable to this country and to antitrust laws, because every one of us has felt either PMI insurance unavailability, business insurance tripling on multifamilies. The nonprofits do; sometimes you have to get three insurance companies to insure the whole package.

And a survey done by the Chicago Rehab Network in Chicago shows that the insurance costs are adding $50 per unit per building per year.

And if you are going to deal with low-income housing and the kind of insurance prices that are being put on these buildings, you are going to give us a subsidy in one hand and the insurance companies are going to take it off with the other hand.

So to bring that in and to say there is an insurance crisis—but on it you need disclosure from the insurance companies, because they are playing games again with the number of what they lost, what they made.

They are telling the shareholders they are paying them big dividends while they are telling the regulatory bodies they lost money, and they are really ripping off the people who pay the insurance premiums in this country.

I would like to add that to your agenda. [Applause.]

I want to cut it here, but we brought the folks here. We brought our mayor here. Wherever you want us to go and get them, we will go get them.

We will even loan you a few of our organizers to organize this Congress up for the right votes.

Thank you. [Applause.]

Chairman Gonzalez. Do you want to vote to bring our President back?

Ms. Cincotta. We told Michael Deaver to call Air Force One. We know he has a direct line. He said he was going to wait until he landed back in this country.

Chairman Gonzalez. We had a very interesting thing happen last week. We had a big crisis among the mortgage market people on Ginnie Mae reaching its lending limit.

The administration was against any action we would take. They had opposed us when we first brought the bill out on April 21, and then they opposed us at the time that the minority ranking Members felt that we had a shared opinion.

By the time we got around to it on an emergency basis, getting it out of here and out of the Senate, it was then that the realtors, home builders, and everybody started getting excited.

And, by golly, enough pressure developed when the President left for the Far East, he was against it, but just the other day they flew the bill all the way over there on a military plane so he could sign it.

I just say this because it dramatizes better than anything I can say the scope of the challenge that we have before us here.

Those of us that have, for years and years, been involved in trying to forage programs, and the sense of the perversity and power had the realtors, the home builders, and the mortgage bankers not confronted the prices, the President wouldn't have bothered to sign anything.

But that particular group has the power and prestige. And some of us are trying to say, "Well, that is fine, but let's not forget what we are all about," which is what you are saying.

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But anyway, I thought I would mention that, because I think it does dramatize the extent of the problem that we face here.

Mr. Mitchell, did you want to say something?

Mr. **Mitchell**. No.

Chairman **Gonzalez**. Thank you once again.

Ms. **Cincotta**. How about your birthday present to us, is it a permanent Home Mortgage Disclosure Act?

Chairman **Gonzalez**. We had hearings when we had the authorization bill. The version I introduced did make it permanent. I don't know if you recall or were present when we heard all of the witnesses including those that feared making it permanent.

I will say this, at this point, it looks as if it is favorable to consider H.R. 1, the authorization, at least we ought to have anywhere from 3 to 5 years. Personally if I could write permanent language that is what I would do. But I believe that under the circumstances, we may not be able to get the majority vote necessary to make that so.

Ms. **Cincotta**. Our problem is that if it goes 3 years, dated back a year, we are talking about September 1988. We are going to still have Reagan and all his friends around. We need a little breather on that.

Five years dated back would give us, 5 years, it got extended 5 years, 5 more years just follows what was in it.

Chairman **Gonzalez**. I am so certain I hate to say this because you never can predict the legislative process, I would say at worst, it would be 3 years from the day of enactment.

Mr. **Mitchell**. If that scenario plays out that gets us into the administration that succeeds the Reagan administration. So that is one safeguard that is in there.

Ms. **Cincotta**. I hope so. We have been able to on the Senate side get D'Amato and Riegle and Proxmire, at least a 10-year law, they are going to bring their chairman kicking and screaming, our fear is if you come in with a smaller number, they aren't going to be able to hold tight to the 10 years.

Chairman **Gonzalez**. Up to now it has been the other way around, we get measures out and we have very little voice over in the Senate from either side. However, I am reasonably secure that that would be about the worst scenario.

Now, Congressman Bartlett has arrived. I had not noted him. I apologize for that and he may wish to make a statement or ask a question.

Mr. **Bartlett**. Thank you.

Chairman **Gonzalez**. I don't know at what point you came in. So you may have heard all of her testimony.

Mr. **Bartlett**. I have been here for a good part of it. I don't have a statement, I don't know whether I can compete with the eloquence of the witness. I do want to say to the chairman and to the witnesses, how much I appreciate this hearing and the perspective that you all bring. It seems to me that in Washington, we too often hear from the Washington-based trade associations, there is even a terminology for them, I would not say it, the Beltway Bandits—it is good to hear from the real world.

Ms. **Cincotta**. Potomac Pirates.

Mr. Bartlett. It does seem the residents over the neighborhoods in this country, and I have been involved in this issue from a number of perspectives for a number of years, from the city of Dallas, where I served on the city council and as chairman of the Housing Committee during that time, in the real world, the residents of areas, in our neighborhoods are not only the problem but in many ways they are part of the solution so I appreciate your bringing your solutions.

I have a particular question. You gave one sentence to a program on which I am unclear as to your justification but you didn't go into it in any detail. That was, you said we need the UDAG Program. It has been my observation that the Urban Development Act Grants, while in some cases have done some good, seem to have been much more subsidies for developers and often hurt the people who live in the neighborhood, so I wonder, what instances you have where UDAG grants have helped people.

Ms. Cincotta. Yes, sir, in one instance, just off the top of my head in Chicago, we got a UDAG grant and it wrote down the price of new construction by $15,000 per unit for low-income homeowners and it was spread throughout the city so that it was an immediate plus for the communities.

You don't know our record on this issue; the chairman and others do. We think that program should be monitored very closely and if there is fraud involved and they don't go to the right person and the right group, that they are targeted for, that they should be made to be paid back. We did this when we dealt with FHA, cleaned it up with you. Same way on UDAG and other programs.

It is that we see UDAG—as long as it is monitored and that the benefits go to the right parties—as a good program, as a tool that you can use. It is just like, we would like to see all CDBG targeted to low and moderate income folks, as I heard in the song, I am afraid to go outside because all the people that are falling through the safety net are coming down on top of me. But we do believe in it being targeted and we do believe it should be monitored and we do believe if people abuse it they shouldn't get it.

Mr. Bartlett. I am not, of course, talking about fraud, although that is sometimes involved, but I recall most UDAG grants go for commercial construction rather than single family homes.

Ms. Cincotta. They can go for both. I think they should be able to go for both and they should be able to go for small business. I do think its target, I think the majority principal beneficiaries should be low and moderate and all that goes with it, so that should be monitored well also.

Mr. Bartlett, I understand that you have problems with the Home Mortgage Disclosure Act and one of the problems that was presented to me that you had brought up was whether or not the data was widely used. There are going to be people testifying in our favor from Chicago. It may only show up as one data request per institution but what we do in the city is we do all the data.

We take all the disclosure from all the banks and supply them to all the community organizations and the nonprofits that are doing housing and economic development and through that process with the coalition we have gotten $173 million in agreements from banks and another $20 million that are waiting for our signature when we get back.

So we distribute the data to dozens and dozens of organizations, and it shows up as one request. It is distributed to the metropolitan areas, including the suburbs, the low income census track, it will show up as one request from each institution. I think people one after another will tell the story and in fact in Chicago the central depository is the public library, they don't even keep records to show that any of us were there. So, thank you.

Mr. BARTLETT. One of the suggestions I made in fact was that the Home Mortgage Disclosure Act be applied to the Federal agencies, also specifically to FHA. Is that something you think ought to happen?

Ms. CINCOTTA. Under the Home Mortgage Disclosure Act, the data is supposed to be available from the FHA, on a yearly basis. That was in the original law, of course.

Mr. BARTLETT. Thank you. Thank you, Mr. Chairman.

Chairman GONZALEZ. Thank you very much, Ms. Cincotta. We have the first panel. We wish to summon Mr. Lou Miller of ROBBED, San Antonio, TX, Ms. Dalma De La Rosa, Northwest Bronx Community and Clergy Coalition, New York, Brenda LaBlanc, Des Moines Citizens for Community Improvement, Sybil McClendon, Citizens Alliance of New Britain, CT, Dorothy D'Apolito, Hartford Areas Rally Together, Connecticut.

We welcome you all, each and every one and do you have any order of preference? Is there any one of you having a time problem, plane or train schedule or anyone that wishes to be heard first? If not we will recognize Mr. Miller first. Welcome, Mr. Miller.

STATEMENT OF LOU MILLER, ROBBED, SAN ANTONIO, TX

Mr. MILLER. Chairman Gonzalez, and committee persons, my name is Lou Miller, president of ROBBED, Residents Organized for Better and Beautiful Environment Development from San Antonio, TX.

We are here today in Washington, DC with National People's Action as we do every year to work for issues that affect us locally and in San Antonio and around the country. For this hearing we would like to address your committee concerning funding cuts on CDBG.

In San Antonio, CDBG, as in other cities is a vital tool to help rebuild low and moderate income housing. CDBG is not only under the axe from the Gramm-Rudman, but the city is also cutting back the budget 30 percent. This leaves us with only $11 million for a city of nearly 1 million people. Last year our allocation was $19 million and, Congressman Gonzalez, we urge you as chairman of this committee, and as our Congressman of the 21st District to take action to restore the Community Development Program.

Chairman GONZALEZ. That is the 20th District, the 21st is Republican.

Mr. MILLER. Excuse me. Another concern of ours is HMDA, Home Mortgage Disclosure Act. We request that your committee act to make this particular law permanent. It is my understanding that we may be able to get out from our present administration with a 3-year law.

We urge you to make the law permanent. We recently won an agreement for our $5 million low interest loans from NBC Bank in San Antonio.

Mr. Chairman, we would like to submit a copy of our agreement for your records.

Chairman GONZALEZ. Without objection, it will appear in the record at this point.

[The copy of the agreement referred to appears in the appendix.]

Mr. MILLER. Congressman Gonzalez, we need this law to be permanent for your district of the 20th District. It is a law to improve the housing conditions of your district. We strongly urge you to make HMDA permanent law. And before leaving you, Mr. Gonzalez, we want to say this to you. Gramm-Rudman is unconstitutional, and we say to your committee, damn Gramm-Rudman and Hollings, too.

STATEMENT OF DALMA DE LA ROSA, NORTHWEST BRONX COMMUNITY AND CLERGY COALITION, NEW YORK

Ms. DE LA ROSA. Good afternoon, ladies and gentlemen. My name is Dalma De LaRosa, Northwest Bronx Community and Clergy Coalition. I am here representing the coalition's serious concerns about proposed budget cuts in the Community Development Block Grants. I am not here today, to hear sympathetic responsibilities, I am not here to hear about the commitment in Washington, not being conducive to the budget request. I am not here to hear about the problems caused by the Federal budget deficit, I am here along with hundreds of people representing thousands of people, in National People's Action to call on Congress to allocate additional money to the housing programs funded by the Community Development Program.

In New York and around the country, we hear a lot of talk about the homeless. The situation is terrible. Everyone understands the plight of the homeless, but if people want to really try to come to cure the problems that causes homelessness—in the northwest Bronx we have been using CDBG money to rehabilitate occupied city-owned housing. This rehabilitation has maintained units of housing for people who would otherwise join the ranks of the homeless.

We understand that it costs the Government $20,000 a year to house and care for homeless families in the existing shelter systems. Our wise use of CDBG money is actually saving the Government money.

We are currently using CDBG money to leverage private money from the bank and insurance companies, to do an affordable rehabilitation in properly owned apartment buildings. This money is being used to keep housing affordable, therefore, addressing another factor in the homelessness problems.

We are currently proposing to use CDBG money to leverage church and private money to reclaim the hundreds and hundreds of vacant buildings in the Bronx, creating new housing for low income people.

These proposals will provide housing for people currently living under corroded conditions. Living in the city shelter, this money is all currently coming from the CD budget. The need is such that we will need more money for the State and city budget to accomplish our goals at this time with the needy. The Federal Government cannot turn their backs on us. The Federal Government has other areas where it can tighten its belt. We cannot afford to have our belts tightened any more.

We urge the House to support doubling the community development budget to $6 billion. We urge targeting of this money for low and moderate income neighborhoods and we also urge the House to support our efforts to renew the Home Mortgage Disclosure Act and make it permanent legislation.

HMDA has been a valuable tool in private money that I mentioned earlier. Thank you.

[The prepared statement of Ms. De La Rosa can be found in the appendix.]

STATEMENT OF BRENDA LaBLANC, DES MOINES CITIZENS FOR COMMUNITY IMPROVEMENT

Ms. LaBlanc. Thank you. I have written testimony about our CDBG Program and about HMDA which I would like to submit for the record.

Chairman Gonzalez. Without objection, your prepared statement will be in the record at this point.

[The prepared statement of Ms. LaBlanc with attachments can be found in the appendix.]

Chairman Gonzalez. You may proceed.

Ms. LaBlanc. I just want to say this. We make sure in Des Moines that community development money is properly spent. We have a plan where people who live in the low income neighborhoods elect their own representatives from their neighborhoods to serve on priority boards which determine what their community needs are and who will allocate the money to meet those needs.

Before there were any cuts, there was more need than there was money and these priorities boards, as they are called, set the priorities to see that the truly needy were taken care of. I wish the Federal Government could be as concerned about spending our tax money in meeting the needs of the truly needy instead of throwing massive sums of money at the Pentagon to fill the pockets of wealthy chislers and to allow multimillion dollar corporations to make massive profits and pay not a penny in taxes, unlike us ordinary working people.

In Iowa, we are in a state of depression. You have heard about the farmers going under and losing their farms. But maybe you don't realize that 80 percent of Iowa's industry is related to agriculture. So we also have massive layoffs in our cities and some small towns are virtually going out of existence.

It angers me to see money going to the Contras to capture the state of, what the hell is it called, Nicaragua, where we need money to recapture the State of Iowa. Iowa, I would like to point out, provides a very large proportion of the food supply of the United States. Thank you.

Chairman Gonzalez. Thank you for a most eloquent statement. We will go back to Ms. McClendon.

STATEMENT OF SYBIL McCLENDON, CITIZENS ALLIANCE OF NEW BRITAIN, CT

Ms. McClendon. Good afternoon. My name is Sybil McClendon, representing the Citizens for Action in New Britain, CT. We are losing $8 million from CDBG. We are cut 30 percent. Last year we got $1.9 million. This year we got $1.3 million.

In New Britain this cut will hurt us. Here are some examples: Job training and placement, Hispanic social services programs and the battered women's shelter. Most importantly it will hurt housing.

We have a housing crisis in New Britain. There is a severe lack of affordable decent low-income family housing. The public housing waiting list is over 2 years. CDBG cuts will intensify this situation for the poor and minorities, over 20 percent of our population.

What is worse is too much money is put into public works, downtown development, and too little where it is needed, in our neighborhoods. CANB has won over $200,000 in block grants for elderly housing project improvements and other projects serving the low and moderate income people organized by CANB.

But our folks may not be so lucky this year, unless you uphold NPA's three demands. We urge you to remember the families, the children, the elderly, the handicapped, the people who live in our cities, because we are the cities. CANB demands that NPA demands become reality.

Thank you.

Chairman Gonzalez. Thank you.

Ms. Dorothy D'Apolito.

STATEMENT OF DOROTHY D'APOLITO, HARTFORD AREAS RALLY TOGETHER, CONNECTICUT

Ms. D'Apolito. My name is Dorothy D'Apolito and I am representing Hartford Areas Rally Together, from Hartford, CT. We have an 8-hour drive home later, but we wanted to stay for these hearings because this issue is so important.

The deep cuts in community development block grants are threatening or have already killed programs which are vital to our community. Hartford was declared the fourth poorest city in the Nation in the last census. And yet the support from the Federal Government continues to decline in the face of our increasing needs.

One program that I feel especially protective of is the Foster Grandparents Program. As a foster grandparent in our local schools for the last several years, I have seen the difference that retired people can make helping out our young people. But this program which has made a tremendous difference in my life and in the lives of thousands of schoolchildren and teachers is being seriously threatened.

Another area which HART groups have made great use of CD funds is the creation of low income housing for families and the elderly. Without the blending of CDBG funds at grants or very low interest loans, the housing produced would never be affordable to the low- and moderate-income households in our neighborhoods.

There was a press conference at the site of one of our most recent victories, 32 units of rehabilitated housing. Senator Chris Dodd and Representative Barbara Kennelly were on hand to celebrate with us, but warned that this victory may be one of our last if we don't win the reversal of the trend to cut CD funds and other housing dollars. We do not plan to make these apartments our last housing victory.

Thus, HART is here today to join with groups from across the country to support the three NPA demands regarding the CD funds: one, double the funding for CD in 1987 to $6 billion, two, do not allow President Reagan to defer the $500 million CD allocation, and three, we support the introduction of additional restrictions on CD funds to ensure that they benefit low and moderate income people.

Thank you.

Chairman **Gonzalez**. Thank you very much.

Ms. **D'Apolito**. One day after my grandson's birthday. I had to miss his birthday yesterday.

Chairman **Gonzalez**. Well, bless your heart.

Ms. **D'Apolito**. I wanted to be here because it is very important to me.

Chairman **Gonzalez**. Thank you. Your presence is very important, let me assure you of that and your participation in National People's Action is critical. It is crucial. I wish I could convey in words how important it is. It may not seem that way, for some, but it really is.

Ms. **D'Apolito**. Excuse me. Can I add one thing?

Chairman **Gonzalez**. Certainly.

Ms. **D'Apolito**. I have been a foster grandparent for 7 or 8 years in Hartford. I tutored bilingual children, and I loved the program, I am sure Mrs. Reagan loves it too. What happened recently we have an inservice meeting once a month, where we have a nice lunch. Well, we had to cut that out because they cut $4,000 out of our program and maybe more.

Chairman **Gonzalez**. Well, it has been very distressing to have gone through this period, but it is all the more important that you do participate and I know what you mean that $4,000 up here, nobody bats an eye, but it does make all the difference back home for such things as food or Meals on Wheels, that kind of activity, so I can't tell you in words how grateful I am for your good wishes.

Mr. **Miller**. I know it is not too often that you get an opportunity to see your constituents here, but we have got a busload who rode 2 days up here and we have got a 2-day ride back. I would like for them to please stand. I would like you to see them for your birthday.

Chairman **Gonzalez**. Thank you. I believe we had one busload last year, and one the year before, so I am very happy. I had one question I was going to ask you, you mentioned that in addition to the cuts on the Federal level, the city had decided to cut 30 percent of the CDBG funding from the city budget.

Mr. **Miller**. Right.

Chairman **Gonzalez**. In what respect, the general fund?

Mr. MILLER. In respect to CDBG and the issuance of moneys for communities for San Antonio.

Chairman GONZALEZ. Well, usually the city matches. For instance, in the program for the homeless, out of the meager amount that was voted by the Congress on a national level, San Antonio managed to get about close to $300,000, which was inadequate. So the city diverted $600,000 of CDBG funds from the hotel on West Commerce Street, and then with the budget fund for the homeless, they have done a pretty good job in providing a permanent place for the homeless, but they did divert $600,000.

I think when the pie gets smaller, then all of the worthwhile projects that ROBBED, for instance, has advanced, get into a contingent and what I said in 1981 was that, we were going to see the very poor segment of our society fighting each other for the scraps or the bones that would be thrown out and it distresses me no end to continue to face what I call a perversity in the priorities.

Ms. LaBlanc said it very eloquently, how could we have the nerve to vote for $110 million for such a group as the so-called Contras, that have no real cause, no real recognition, anywhere in the world other than what the President has insisted, while telling us there is not even $60 million available for the homeless of America. It just doesn't add up.

I think the American people as a whole see through it. I think we have things that happen that nationally will look as if they were mandated to happen but the truth is that here in the Congress, the Gramm-Rudman-Hollings bill, we can cuss it all we want, but had they not had a majority in the Senate, including Senator Kennedy, Senator Proxmire, and a few others, it would never have gotten out.

Gramm is 1 man, Rudman is 1 man, Hollings is 1 man, all put together are 3 out of 100, they got it out though. They had help. In the House of Representatives, the majority voted, it wasn't strictly all partisan because you had 130 Democrats voted for it.

So, you know, it is a little bit more complicated than what it seems at first blush. I think the reason is that if we had enough individual Congressmen and Senators, that would have people like you testify at hearings, such things as the Gramm-Rudman, I almost said it, well, in my heart I have been saying it—but we must remember that it is complicated. It works both ways.

We are not here to form the constituencies. I don't have to tell you that the average citizen today uses all his six senses in trying to make a living. The intricacies of Government they entrust to us. So if we don't have either the knowledge, the fortitude, or the courage to come back and say, look, here are the facts, are we allowing ourselves to get cowed? Every time I have voted for these programs, organized groups have tallied the total and have sent down press releases that are picked up and idly, at least in my district, saying I am a big spender.

I sit on this committee here, I have seen bills involving billions of dollars go through here as fast as it takes to call the roll—and then I will see, like I did last week, bickering and fighting over what, over about $250,000. I was here when the tax bill came up in 1981, I studied it, I was here in 1962 when President Kennedy presented his—and one in 1981 was pawned off as being the same. It wasn't. I was the one who listened to this vote. You are right, I didn't vote for it.

Now, Ms. Cincotta read a figure off about $125, or $130 billion were written off on the bill, it was more than that. The sum total after 5 years and the fifth year was up this last year, was $755 billion. This drained the Treasury—they went to such things as were mentioned, the tax writeoffs, tax credit purposes and the like—now that is big spending but you don't hear anybody calling it that.

But it will always be that way. My experience has been that even if you are about the average folk, it is a daily fight, it is like you are pretty young and maybe you were young in the 1950's but there was a very great saying during the 1950's that came out of the middle of the struggle for civil rights, said you know, freedom isn't free and it is nothing that you win permanently. You have to keep fighting every year.

Mr. **Mitchell.** I, too, want to commend the panel and just to make a brief statement and a suggestion for the future.

I remain absolutely convinced that when people act in this country, we can make government move. I have seen it happen.

There was no desire at one time to end the war in Vietnam, and we would still be in Vietnam had not the people acted.

There was no question in my mind but that the impeachment proceedings against Mr. Nixon came from the people.

I don't know whether the Congress would ever act. It is with that background in mind that I suggest to you that I am not pessimistic. I think we will act, and I think we are going to get back on the track of a government that acts in a sane rather than insane manner, a government that meets its mandate to promote the general welfare.

With that in mind, I think that one of the things all the people here need to be doing is to look at your city and State laws governing—housing.

It seems to me that if we get housing money, and I am convinced we will, that one of the problems, vacant housing in my city can be addressed.

The city takes them over because of the owners failure to pay taxes on them. It takes a very long period of time to locate the owners.

And if the State had the money, it can't even touch those properties. You prompted me to say this, Mrs. De La Rosa, about the abandoned housing in the projects.

So, while we shouldn't plan for today, we ought to be planning for 5 years down the road, when the Government regains its sanity.

And we ought to be looking at each one of our cities; what can we do in terms of changing that long waiting period while the property is abandoned.

And I simply throw that out as an issue for the future based upon my very firm and unswerving assumption that when we demand it, the Government will respond.

We are not going to see all housing money eliminated. It is not going to happen. So, that is my recommendation to you. OK. [Applause.]

Chairman **Gonzalez.** I thank you very much, Chairman Mitchell. That was a very wise observation.

The subcommittee has been to the Bronx. If you don't mind, let me ask Congressman Bartlett.

Mr. BARTLETT. No questions.

Chairman GONZALEZ. Thank you very much for your testimony.

Our next panel consists of Ms. Dora Marshall, Senior Citizens Coalition, Cleveland, OH; Mr. Wilbert Daniels, Richmond United Neighbors, Richmond, VA; Mr. James McTaggark, South East Community Organization, Baltimore, MD; Ms. Geneva Wredt, Council Bluffs Citizens for Community Improvement, Iowa; Mr. Paul Carpenter, Kalamazoo People's Action Council, Kalamazoo, MI; Mr. Ron Whitehorne, Kensington Action Now, Philadelphia, PA; Ms. Lula Fairley, Fresno Organizing Project, Fresno, CA.

STATEMENT OF DORA MARSHALL, SENIOR CITIZENS COALITION, CLEVELAND, OH

Ms. MARSHALL. Good evening, Mr. Chairman and ladies and gentlemen.

I just want to tell you all what I came to tell you all, is that I go to a luncheon site in Cleveland that is called Eagles Nest, a nutrition site, and they are cutting back on it, going to cut back.

And it is the only place where we really have to go. I am a senior, and live in two rooms, so if I don't get a chance to go out and meet my friends at the luncheon site, what am I going to do? Sit in the building and go crazy?

So, we go down. We eat. We don't go to eat all the time. We go to socialize. Sometimes you don't eat. We go to socialize and talk to each other, mix with each other, see how you feel and how the other one feels.

That is the one only way we have got that we can socialize and enjoy ourselves.

In this luncheon site they are cutting back everything. They are going to have shorter days, and now they are talking about, they have laid off three of our people that work with us.

So, that means that we will have less help, and we need that. We elderly people don't have anything to live for but to go out and try to do something.

And there was another thing I would like to talk about just a little bit. There was another luncheon site. I don't know anything about it. I don't go to it.

They had no place to go. People had no place to sit, except sit in the hall. So they got into a squabble down there 1 day about moving, and they took all the chairs out and this head lady said, "They don't need no chairs. They don't pay rent to sit in the hall. They pay rent to sit in the room."

The hall is the only place those people had to go socialize. All this is happening in Cleveland. I want to tell you, it hurt my heart to think that those people couldn't put on their dress up and put on their clothes and come downstairs and sit in the hallway and socialize with each other and look out.

There are a lot of people that can't get out. Me by myself--I can't go nowhere by myself. I have to have somebody with me, because I can't see good, and at the luncheon site, if I don't, if I didn't get one meal there—there is a lot of days I would miss because if somebody don't come and cook something for me, prepare for something 2 or 3 days, I have to eat junk food or something like that.

It is just we need this luncheon site. We are begging you to don't cut us. Let us keep our luncheon sites.

And then another thing. I live in the subsidized housing.

Now, last month when—this month when I carried my check in to pay my rent, she said, "Take your check back home. Don't pay no rent, because we are going to raise the rent."

Now, this is on account of this Gramm-Rudman something or other.

Well, you know, if they raise our rent, they already got the 30 percent, so if they raise the rent anyway, that is coming out of our pockets. We don't have nothing to enjoy ourselves with.

We can't go to a show, can't do nothing, and every time you turn you need somebody to do something—you have to pay people. It takes money.

And when you take the little bit we got—we only get $300, something like that a month—when you have to take that and pay rent and a few other things with it, we don't have nothing left.

We are not rich. We are poor. And we are begging you all forget about this Gramm-Rudman thing. Let the old people live in peace their last days.

Chairman GONZALEZ. Thank you.

[The prepared statement of Dora Marshall can be found in the appendix.]

Chairman GONZALEZ. Mr. Wilbert Daniels from the Richmond United Neighbors, Richmond, VA.

STATEMENT OF WILBERT DANIELS, RICHMOND UNITED NEIGHBORS, RICHMOND, VA

Mr. DANIELS. Mr. Chairman, friends that are present for the same case, my name is Wilbert Daniels. I am here to speak about Community Development Block Grant funds.

I am from Richmond, VA, representing Richmond United Neighbors.

CDBG funds have served and are still serving a very good and worthwhile purpose.

However, in Richmond, millions of dollars of CD funds have been spent for downtown development. We have two problems: not enough CD funds in the first place, and funds being misspent in the second place.

The need is constantly growing each day for decent housing, public improvements, and a host of other good projects.

The needs are becoming greater while the funds are becoming smaller.

There is a way to solve this road to nowhere: increase the CDBG budget to $6 billion for 1987, and target CDBG funds to low and moderate income people, not families above the 120-percent median income in their city area.

That means putting regulations back on from the Federal level.

Neighborhood people know how to creatively use CDBG money, and in Richmond we are able to get over $50,000 of private investment from area banks to mix with only $14,000 CD dollars.

We developed a home rehabilitation program for low and moderate income, can borrow up to $10,000 at 5-percent index interest to fix up their homes.

Programs such as this should not end but continue to grow, and in this great land of opportunities, some of us are less fortunate than others.

All we are requesting is to have a fair chance to be sure that low and moderate income persons can live as humans, not as animals.

This statement may appear a little strong; however, if you could accompany me on visits to residents' homes that are in need of repair, you wouldn't think so.

I can't express to you the importance of this making sure CD funds are available on an increasing level.

And in closing, I should also like to state that Richmond United Neighbors would like the Home Mortgage Disclosure Act to become permanent law.

Thank you.

Chairman Gonzalez. Mr. McTaggark from South East Community Organization, Baltimore, MD.

STATEMENT OF JAMES McTAGGARK, SOUTH EAST COMMUNITY ORGANIZATION, BALTIMORE, MD

Mr. McTaggark. Mr. Chairman—and, of course, I would also like to recognize Parren Mitchell who has been a great influence in our great city of Baltimore—as you know, Baltimore was one of the pioneers, both of Community Development Block Grants and also in UDAG and urban homesteading.

And what I would like to bring across to this committee are basically the four points why Community Development Block Grants should be kept going.

First of all, they work. In over 8 years, more than 10,200 housing units were rehabbed in the city of Baltimore and 35 percent of them are housed by the elderly and low income people.

The other thing is that Baltimore needs 15,000 more housing units. There are nonprofit private organizations like SECO, Saint Ambrose Housing, and other organizations in Baltimore, that are involved in rehabbing housing for the elderly and for low income people.

It cannot be done without Community Development Block Grant assistance.

In the recent talk with the Archbishop of Baltimore and the black churches of Baltimore, they made it clear that housing in Baltimore cannot go on if Community Development Block Grants are cut.

We talk about spending billions for a tank that can't even shoot straight, and here are neighborhood organizations here asking for money to make our neighborhoods safer, to make our cities better and to build a better America.

Congress can turn around and spend billions on a tank that can't shoot straight, and we can't get millions to fix up our cities and our own homes.

Thank you.

Chairman **Gonzalez**. Mr. Mitchell, I should have asked you to introduce Mr. McTaggark.

Mr. **Mitchell**. I am glad that he is here, and I want to thank you for representing SECO and all the work that has been done by SECO. We have NECO up in the northeastern section that is working in a similar fashion.

Just one personal note, if I may.

I moved deeper down in the ghetto in December. I moved to a street called Carrolton Avenue, a very nice house. Within 2 weeks some gentleman came through my roof and borrowed my VCR, watches and some other things.

They were very neat burglars, but you know how they got into my house: through an abandoned house four doors down the street from me.

So, it is not a matter of safe, sanitary, decent housing. It becomes those abandoned units which are often used by crime elements to prey on society.

I want to congratulate you all. Thank you.

Chairman **Gonzalez**. I will say this; that the city of Baltimore has been in the forefront of putting itself in a position to receive the benefit of some of these projects.

It hasn't been accidental. It is because we have had fellows like Parren Mitchell here that have been fighting pretty hard.

Well, our next witness listed here is Ms. Geneva Wredt.

STATEMENT OF GENEVA WREDT, COUNCIL BLUFFS CITIZENS FOR COMMUNITY IMPROVEMENT, IOWA

Ms. **Wredt**. Good afternoon, Mr. Chairman and members of Congress.

While you are celebrating a birthday tomorrow, I would like to remind you that NPA is celebrating a birthday this year, and many of us are attending our 15th year here at the NPA conference.

Chairman **Gonzalez**. Congratulations.

Ms. **Wredt**. I am Geneva Wredt from Council Bluffs Citizens for Community Improvement, Council Bluffs, IA, representing the entire State of Iowa and the low-moderate income people across this country that are being deeply affected by the severe cuts in the Community Development Block Grant funds.

We are here today to remind members of this Congress of the great importance of these funds and the devastating impact that these cuts are having on our communities.

In Council Bluffs, IA, the effect of the cuts are highly visible throughout our community.

Our block grant allotment has dropped sharply from $1.3 million in 1980 to a measly $748,000 in 1986; the difference between 48 housing rehabs in 1980 to a low estimate of 20 housing rehabs in 1985.

Can you believe it? Twenty housing rehabs in one year in a community of 56,000 people. This is like sprinkling sand in the ocean.

Due to the shortfall in housing rehabs our housing stock is falling apart.

Older people throughout the community are living in houses that in 1980 could have been rehabbed, but in 1986 these same houses are being condemned and torn down.

The lack of funds is devastating our community as more and more people stay in shattered shacks in order to survive.

We the people came today to remind you that the Community Development Program is essential to the enhancement of the quality of life of low-income persons across this country.

We the people came today that our budgets be increased to $6 billion in 1987.

We the people came today to implement a referral of $500 million in CDBG funds this year instead of a deferral.

We the people came today to request that 100 percent of CDBG moneys be spent on direct benefit projects for the low and moderate-income people.

Direct benefit projects do not include downtown business ventures that support the rich rather than the poor.

We the people are here today to enforce Federal guidelines in order to improve the efficiency of the program's administration and to lower the boom on directors that save up previous years money in order to beef up and extend beyond their 20 percent allotted administrative costs.

It is time that HUD lowers the boom by enforcing these Federal laws in order to enhance the CDBG Program and to make sure that low-income people have a decent place to live and an enhanced quality of life and that they get the biggest bang for their buck.

Thank you.

Chairman GONZALEZ. Thank you.

Next is Mr. Paul Carpenter from Kalamazoo People's Action Council, Kalamazoo, MI.

STATEMENT OF PAUL CARPENTER, KALAMAZOO PEOPLE'S ACTION COUNCIL, KALAMAZOO, MI

Mr. CARPENTER. Thank you.

I could only reiterate the effect of declining block grant moneys in our community. The city on our north side looks like a wasteland. Housing is constantly being razed quicker than it is being built.

In fact, there is no new housing being built. The decrease—each year, the city of Kalamazoo probably receives a good four to five times the amount in requests as there is allocations even with the declining amounts coming in from the Federal Government.

People are still finding creative ways to spend the money, to allocate money, but the money is less and less.

It seems unfathonable to me that with such a need that the Federal Government can continue to cut 60 percent of the money going into housing rehabilitation and housing programs.

Fifteen percent is allocated to public service. And within this 15 percent, neighborhoods have been able to fund staff people, and other human service organizations have also been able to use this money. Domestic assault, tenant-landlord services, legal aid, has been able to tap into the public service sector moneys.

But with continuing decline in these moneys, the requests that come in from the human service organization and neighborhood organizations find themselves competing for declining money.

I can't see what will happen or what would happen if block grants are eliminated as seems to be proposed every year from the Reagan administration.

In the last 10 years there has been—although we seem to be fighting a losing battle in rehabbing houses, we still had quite an effect.

With less money, I can't see what will happen. What is going to happen with the housing stock that is 80, 90 years old, 100 years or more—people have less incomes recently—not enough to put in the substantial amount of money to rehab them.

It is only block grant money that seems to be most effective and efficiently used for housing rehabilitation.

I urge Congress and this committee to not only fight reductions, but I urge for increases. We need increases in block grant money. The need is there. It is documented, and we wish you good luck.

Chairman GONZALEZ. Thank you.

Mr. CARPENTER. We need that money.

Chairman GONZALEZ. Thank you very much.

Our next witness is Mr. Ron Whitehorne of Kensington Action Now, Philadelphia, PA.

STATEMENT OF RON WHITEHORNE, KENSINGTON ACTION NOW, PHILADELPHIA, PA

Mr. WHITEHORNE. Thank you.

Kensington is a white/blue collar neighborhood on the east side of the city that has been hard hit by these cuts.

One of the big problems we face, like other neighborhoods in Philadelphia, is the problem of housing abandonment. We have got 600 abandoned houses in our neighborhood.

Using Community Development Block Grant money, we formed a community development corporation and we have rehabbed 25 of those houses over the past few years.

By way of contrast, Mr. Chairman, we have Community Development Block Grant money being spent on downtown development.

They just finished this thing in Philadelphia they call the Center City Commuter Tunnel, like a big hole in the ground.

What it does it connect the two commuter lines, the old Reading line and Pennsylvania line, so the two trains on those lines can turn around better. That is what it does.

This cost several hundred million dollars and they used CDBG money on this.

They got a nice hole in the ground. They just finished down there, and we still got 600 abandoned houses up in our neighborhood.

This is why we are saying we want money. We need more of this money, but we need to see this money spent on low- and moderate-income people, not downtown developers, not the banks, and not wealthy suburbanites.

Another thing we want to say, Mr. Chairman, is you hear a lot of talk about, well, we can't really afford these programs. We need this military built up.

We need this. And you know, my neighborhood voted 3 years ago. We had the referendum and people were asked, "Do you favor money being taken away from the Pentagon to be spent on jobs and social programs?"

And people said, "We do," by 29 to 1. Imagine.

So, I think that has got to happen. I don't want to see my tax dollars being used to bomb some poor person's house in Nicaragua. I want to see it used to rehab somebody's house in my neighborhood.

Just one final comment. I want to support the call for a permanent HMDA. When we are not out trying to rehab housing, we are trying to get banks to invest in our neighborhood.

We really need this law to do it.

Chairman **Gonzalez**. Thank you. Thank you.

Our next witness on this panel is Ms. Lula Fairley from Fresno, CA.

STATEMENT OF LULA FAIRLEY, FRESNO ORGANIZING PROJECT, FRESNO, CA

Ms. **Fairley**. Thank you, Mr. Chairman.

My name is Lula Fairley. I am representing the Fresno Organizing Project. Fresno is located in the San Joaquin Valley and has a population of 300,000 with an ethnic ratio of: 35 to 40 percent Hispanic, 10 to 15 percent black, 10 percent Pacific Asian and Native American, and 35 percent Anglo.

Fresno is largely dependent on agriculture in the economy. One out of every four workers is agri-related. So we are experiencing much the same problems felt by other agriculture communities across the country.

In March 1986 unemployment was reported at 16.6 percent while the State and national averages were 7 to 8 percent.

One out of every four families are living at or below the poverty level.

In fact, since the mid-1960's, 20 percent of the Fresno population has been at or below the poverty level.

Since being organized, we have successfully resolved issues which impact low/moderate income people and their neighborhoods such as: preventing the sale of the county hospital for the poor by the board of supervisors; preventing the displacement of 1,200 workers because a major store chain was selling without an agreement with the buyer to hire existing workers; and lights for the neighborhoods experiencing high crime rates; and street repairs and installations.

In 1983 we began monitoring Fresno's CDBG funds. We found that people living in the CDBG target areas knew nothing of the program.

So we held several house meetings, yard meetings, and neighborhood meetings. Also planning meetings were held to develop a budget. Over 1,500 people participated in the meetings.

Out of all the meetings we held, the Fresno City Council held only one.

Also in 1983, we filed a complaint with the city of Fresno's 1983-84 CDBG application with our regional HUD office in San Francisco.

At that time 50 percent of the HUD regional staff was facing possible termination and site visits to cities and counties were a year late in their site visit to Fresno.

The prevailing attitude of the HUD regional office seems to be survival. There were 14 points in our challenge. Two of the major points were $500,000 being used to renovate the city auditorium in order that it could equip the emergency 911 system.

The other was hidden administrative costs which came to over 42 percent. The city's response to HUD was that most of the emergency calls such as fire, crime, or illness related, comes from low-income communities based on the general condition of the area and how the city was justified in having the staff cost included with each particular project.

For example, housing, $1.575 million was budgeted for rehabilitation; $538,000 was staff costs. The HUD regional office accepted that explanation.

As a result of our 1983 experience, we do not look to the regional office for enforcement unless it is a blatant violation.

As an organization, we have continued to hold meetings on CDBG targeted neighborhoods. The 1985-86 CDBG hearing was changed three times after the public notice in the newspaper.

The last time it was changed from 11 a.m. to 4 p.m., and it was combined with the social service hearing. People were totally confused.

We asked that the council reschedule the CDBG hearing and that it be held separately.

They rejected our request based on the city's attorney's interpretation of the regulations that HUD only requires a public hearing; nothing in the regulations requires a separate hearing.

Given all of these problems, we have still been able to obtain needed services for our people and neighborhoods.

We have gotten water service, emergency rehab grants, reinstatement of cement crew workers for low-income neighborhoods, sidewalks, curbs and gutters for CDBG areas.

But these successes represent only a small portion of the funds and even a smaller portion of eliminating problems our neighborhoods face.

We have areas where residents don't have water and sewer service. Streets and housing are in need of repair; no assistance for the handicapped, et cetera.

This is why we are requesting an increase in the 1986-87 CDBG allocation as outlined by National People's Action and other groups present today.

We are also requesting that the committee support the proposed legislative changes recommended by the Center for Community Change, the National Low Income Housing Coalition, and the National Ad Hoc Coalition on Low Income Community Development.

On behalf of the Fresno organizing project, I want to thank you for this opportunity to share with you our experiences.

Chairman **GONZALEZ**. Thank you very much.

The subcommittee was in Fresno in 1982. And then I have been back on a couple of occasions to address the meeting of the rural housing organization. It is a beautiful part of California, and it is sad to think in such a beautiful setting, you would have the distressing situation of substandard housing, overcrowdedness and the like, but certainly each and every one of you must know that you have helped us very much, and we are very grateful.

I am going to ask Mr. Mitchell if he has a question or a statement he might wish to make.

Mr. **MITCHELL**. I think I have just one brief question. So often many members sit up in the Congress and vote yes or no on laws, and they fail to realize that whatever we vote on impacts on the lives of people, and I wanted to ask Mrs. Marshall, if I may—I am over here, Mrs. Marshall. I wanted to ask you—if it is too personal, let me know—I want to ask you, you indicated your income is about $300 a month.

Ms. **MARSHALL**. That is right.

Mr. **MITCHELL**. What is your rent now?

Ms. **MARSHALL**. Right now I am paying $93.

Mr. **MITCHELL**. That is almost a third of your income.

What do they propose to raise your rent to?

Ms. **MARSHALL**. I won't know until I go back. They told me my case hasn't come up yet. When it does, they will tell me.

Mr. **MITCHELL**. Could I ask you one more question. If it is too personal, tell me to mind my business.

How old are you?

Ms. **MARSHALL**. Seventy-five years old last January.

Mr. **MITCHELL**. That is what I mean; I think it is unconscionable to take a senior citizen at 74 and ask them to pay one third of their income in rent. That is just not fair.

Mr. Chairman, I wanted to pursue that line of questioning so it would be in the record in the hopes that some of those guys on our committee who vote for these cuts and for increasing rents could have a human story, a real lifeblood story of a person who is a victim. I think it is totally undesirable in this country.

Thank you for answering my question.

Chairman **GONZALEZ**. I have just one question for Ms. Marshall, and that was a description of the type of housing project or dwelling you occupy.

Ms. **MARSHALL**. I am in 202, it is a Catholic building.

Chairman **GONZALEZ**. It is a 202?

Ms. **MARSHALL**. Yes, sir.

Chairman **GONZALEZ**. You were advised your rent would be increased because of——

Ms. **MARSHALL**. Rudman, I guess. I don't know.

Chairman **GONZALEZ**. Cutbacks.

Ms. **MARSHALL**. I know a lot of people's rent has been raised.

Chairman **GONZALEZ**. They have already been raised?

Ms. **MARSHALL**. Yes, sir. The first of the month, I always carry my check down to the office. When I carried it down, she said, "Just wait because your rent is going to be raised and you won't have to make out another small check."

Chairman **Gonzalez**. Well, you know I think we should follow through on this. There is something that doesn't quite add up in my mind on this.

What is the name of the 202 project?

Ms. **Marshall**. It is St. Andrew's Towers. It is at 5225 Superior Avenue.

Chairman **Gonzalez**. Cleveland.

Ms. **Marshall**. Cleveland, OH.

Chairman **Gonzalez**. Do you happen to know your representative?

Ms. **Marshall**. No, I don't. If it is the person I think it is—Stokes, I think it is.

Chairman **Gonzalez**. Oh, Stokes. All right. Because I thought it was—no, I didn't think it would have been Ms. Oakar. Ms. Oakar is on this committee. We would have had a question from her about these proposed rents.

Ms. **Cameron**. I work for housing for the elderly in Syracuse, NY.

Chairman **Gonzalez**. Would you mind identifying yourself for the reporter?

Ms. **Cameron**. T-e-r-i Cameron, C-a-m-e-r-o-n.

It is standard policy to charge senior citizens a percentage of their income for rent, period.

Chairman **Gonzalez**. There is still something here, though, that doesn't sound right.

Ms. **Wredt**. Will the new insurance clause have something to do with the raise in her rent?

Chairman **Gonzalez**. We are going to find out, and you will hear from us.

Ms. **Fairley**. We cordially invite you to visit us again in Fresno.

Chairman **Gonzalez**. Every chance I get.

Our next panel consists of Anna Boone, Northwest Community Organization, Chicago; Roger Markovics, Albany Tenants United, Albany, NY; Mary Ryan, Coalition for Consumer Justice, Providence RI; Frances McBee, Action Coalition of Englewood, Chicago, IL; Lavelle Williams, Michigan Avenue Community Organization, Detroit, MI; and Magda Gotts, Alexandria United Tenants Organization, Alexandria, VA.

If there is no objection, I will recognize the panelists in the order you are here in the list given me.

The first witness will be Ms. Anna Boone from the Northwest Community Organization in Chicago, IL.

STATEMENT OF ANNA BOONE, NORTHWEST COMMUNITY ORGANIZATION, CHICAGO, IL

Ms. **Boone**. My name is Anna Boone, and I am a member of the Northwest Community Organization of Chicago, IL, and I am here representing the organization in my neighborhood.

As you have heard many speakers before have told about the need for housing in their neighborhood. In my neighborhood, there is a need for low and moderate decent housing for the people.

As you know, there is a decrease in the CDBG grants, and we need an increase so we can have decent and affordable housing.

My son and myself have lived in many bad housing situations because we didn't have any other choice, and I think it is bad when a person who works and pays taxes or a person on welfare has to live in such places when money can be allocated for decent housing to be put up in the neighborhoods.

I often tell people, in my neighborhood there is more vacant lots and stray lots than people. I think if you have those vacant lots, housing can be put on those lots. there is no reason decent housing can't go up. There is no reason buildings can't be rehabbed for people in our community.

We need a decent place to live. People are tired of living in the streets. Fortunately, God has been with me and I have not had to live in the street, but I see many people living in the street because there was nowhere to go.

It is time money not be spent and wasted on the warfare and spent in the community for housing.

They say it is a deficit; it is not because money is used for housing or education or food or welfare, it is because there was a mismanagement in the budget and money used for the defense. The hell with defense. Give me a decent place to live and sleep at night, and I will be better.

In my community there is a redevelopment corporation called Bickerdike, and about 3 years ago they put up 144 units and got over 2,000 applicants applying for the apartment. They let me know there was a great need, and they need the grants to do most of their building.

Now, the CDBG grants are being cut and Bickerdike is being forced to delay phase II. Phase II, I think has been delayed for 3 years. I think that it is bad when a person has to wait 3 years for a lot of paperwork because the redevelopment corporation cannot build decent housing, and then after they do go through the process, they have to wait another year for the apartments to be built.

I think the grants should be restored and they should be restored now.

As I have always told people who always sit behind the biggest desk and wear the best suits, they tell us, "We know what you need." You don't know what I need. Walk a mile in my shoes and then you can tell me what I need, and where I have been.

Thank you.

Chairman **Gonzalez**. Thank you, Ms. Boone.

Our next witness is Mr. Roger Markovics, Albany Tenants United, Albany, NY.

STATEMENT OF ROGER MARKOVICS, ALBANY TENANTS UNITED, ALBANY, NY

Mr. **Markovics**. Happy birthday, Mr. Gonzalez. It is my birthday as well. So I am happy to share a birthday——

Chairman **Gonzalez**. Thank you very much. Congratulations.

Mr. **Markovics** [continuing]. With someone who is a recognized fighter for community people.

I am sorry Mr. Bartlett had left. Some of my comments were oriented toward the questions he brought up, first about targeting, the second, HMDA.

First about targeting, the groups in Albany who have been trying to work with the private sector, developers, bankers, realtors, et cetera, on developing low-income housing have a consensus from the private sector.

The private sector is unable to do low-income housing by itself, and that private sector is successful in doing the middle and upper income housing because of the tax credits, the subsidies you get through the Tax Credit Program, and the low-income subsidies that have been so gutted need to be restored.

Mr. Bartlett implicates in questions about the UDAG Program and how it has been ripped off by developers, and we agree it has been ripped off in many ways. We don't want to see the program lost. We don't want to see the baby thrown out with the bath water, while we try to reform the program.

Housing projects apply to UDAG but the HUD regulations on how they are evaluated are stacked in favor of developers. HUD uses this phrase called quality of the deal so the projects, the commercial projects leverage several dollars for every UDAG dollar look better within income. That is one comment.

The second comment is about the HMDA, and I want to urge you to work for a permanent law or a 10-year extension as a minimum rather than settling only for 3-year or 5-year extensions, simply as a matter of negotiating.

Mr. Bartlett's comment also about the—what he envisions as a lack of use of HMDA doesn't take into account how HMDA information is shared and used in the neighborhood. In Albany HMDA information is given to a central repository, serving five or six multicounty areas. When we go to that central repository, that probably doesn't get reflected as far as a request for HMDA information.

In our negotiations with one particular bank, Northstar Bank, a Fortune 500 company, that one incidence of requesting data from them directly as part of our negotiations probably does get reflected as only one use in the neighborhood. I want to point that out.

Thank you.

Chairman GONZALEZ. Thank you very much, Mr. Markovics.

We will have this permanent record, of course, available to the members of the subcommittee. I am delighted that you had your comments.

Our next witness is Ms. Mary Ryan from the Coalition for Consumer Justice in Rhode Island.

STATEMENT OF MARY RYAN, COALITION FOR CONSUMER JUSTICE, RHODE ISLAND

Ms. RYAN. Good afternoon.

I wanted to talk a little bit about the budget proposal as being submitted and the cuts that are projected for fiscal year 1987. We know what is happening with 1986 with the section 202 housing being terminated, or that is what is supposedly being planned by this administration.

I was wondering if you knew anything about what is going to be happening in the future as far as what you are voting on, what you intend to do with your colleagues for the low-income housing for the elderly and the handicapped, which is a section 202 program.

From what I understand, they are also going to cut back on the voucher system, the section 8 units, public housing, and these are none of the President's favorite programs. His philosophy is "you take care of yourself." That is his philosophy, and yet he doesn't expect that of his friends. He takes care of his friends.

You have heard what has been said by the other people on the panel, asking for or demanding double dollars for CDBG and instead of the $2.9 billion being discussed in Congress for this vital program, we want the $6 billion, and that is the minimum. That is the bottom line. That is what we are asking for.

We know the money is available, and if you take action to close the vote and you take action to close corporate tax loopholes and eliminate fraud and military spending, the defense budget has gone up by 223 percent since 1980. That is mindboggling.

So we are just going to continue to try to overturn what the President is submitting for his fiscal year budget and we hope we will get your support.

Thank you.

Chairman GONZALEZ. Thank you very much.

When we finish with the panel, I will discuss where we are with the authorization bill.

You come at a real nice time. We hope to have an appearance before the Rules Committee tomorrow. I will get to that a little later.

Our next witness is Mrs. Frances McBee.

They put an "r" in it. Anyway, it is Ms. Frances McBee, Action Coalition of Englewood, Chicago, IL.

STATEMENT OF FRANCES McBEE, ACTION COALITION FOR ENGLEWOOD, CHICAGO, IL

Ms. McBEE. Thank you. I am with the Action Coalition of Englewood representing the Catholic community of Englewood, located in Chicago, IL.

I am here to tell you that Reaganomics is nonsense. They are talking about cutting back and they need to add to. As it is, when we finally get the money, there is never enough to go around.

I am here to tell you that we need the Community Development Block Grants in Englewood desperately. We have the highest unemployment rate in the city of Chicago, and we have been redlined by banks and insurance companies. This means that private money is virtually nonexistent.

In Englewood, we need money to rehab buildings that have good sound outside structure. We need money for the low-interest mortgages that would bring people back into Englewood.

We need money to build low-income houses on the vacant lot. We are a community of vacant lots. We need money to repair sidewalks because after we send our money to Washington on an every 2-week basis, there is none left for repair or upkeep of sidewalks.

We need new small businesses to build in our community and we need the one shopping mall we have in Englewood revitalized. We need a ceiling on the rent which makes it hard for people to remain in Englewood. We need money to tear down abandoned buildings that are beyond repair.

Next door to me there was a family—there were five families living in an abandoned building and one of the families there was a daughter 9 months pregnant. Because it was winter and the gas and water and electricity was cut off, she caught pneumonia and died.

In another abandoned building a man fell asleep smoking and burned to death. They said the building did not have smoke detectors. Most abandoned buildings do not have smoke detectors in them.

Thank you.

Chairman GONZALEZ. Thank you, Ms. McBee. We will come back after we complete the witness list.

Our next witness is Ms. Fran Willets from East Toledo Community Organization, Ohio.

STATEMENT OF FRAN WILLETS, EAST TOLEDO COMMUNITY ORGANIZATION, OHIO

Ms. WILLETS. My name is Frances Willets and I am a member of the East Toledo Community Organization.

We are concerned about the issue of monitoring and accountability of UDAG grants in our community. According to our research, the regulations on UDAG's are not being met.

We have met with city officials, community development and the city contract compliance officers. We have told them what our research has shown. They state they get their quarterly reports, asked for in UDAG regulations.

We have read the quarterly reports, and the reports show that the minority and low-income people are not being hired and the full number of jobs are not being created.

We also asked city officials if anyone is checking to see if the jobs are being created and if low income and minorities are in fact getting jobs. They said they don't know.

We are really angry that no one cares to see that these regulations are met. We want stricter regulations stating that companies are accountable for creating jobs, filling the jobs with people from our community who are low income and minorities, and there be adequate job training.

We also want to see there be a monitoring procedure and companies are accountable for adhering to regulations and there be penalties if regulations are not met.

We don't want UDAG's to be cut. They offer potential for jobs in our community.

For instance, there is currently a steel company applying for a UDAG, the plant will be creating 150 jobs at a high pay scale. This is really important in our area because so many of us are unemployed and this gives us the opportunity to have a job at a decent living wage, which we feel is everyone's right.

There is high unemployment in our city. We want and need to work so we don't want UDAG cut. What we do want is the city to be forced to be accountable for monitoring that companies create jobs, hire low income and minority people from the community, and have job training to teach skills to do the job.

What we want from you is that there be specific language put in UDAG regulations that there will be monitoring and accountability for jobs on the local level.

Thank you.

Chairman Gonzalez. Our next witness is Ms. Lavelle Williams, Michigan Avenue Community Organization in Michigan.

STATEMENT OF LAVELLE WILLIAMS, MICHIGAN AVENUE COMMUNITY ORGANIZATION, MICHIGAN

Ms. Williams. Good afternoon. My name is Lavelle Williams, and I am the president of MACO in Detroit.

You have heard testimony from many today on the need for continued and greater funding for neighborhoods through the Community Development Block Grant.

In Detroit, the need is overwhelming. Congressman Levin can tell you all of the deterioration and devastation throughout Detroit's inner city. Each year, 3,000 homes are demolished because adequate funds for rehabilitation are not available. The demand for decent, affordable housing is there; the money to provide it is not.

MACO has fought over the past 12 years for help meet this demand. In the past 4 years, we have received $2.7 million in block grant funding for housing rehab and repair. Each CDBG dollar has been directly matched by MACO with dollars from outside leveraged sources.

Through stimulating private reinvestment, we can calculate a 500-percent investment return on our total development budget, and when we talk about what has been stimulated, we sat here and we talked a lot about what has been given to us, and what is being taken away from us. But what we are giving is another thing. And I would like to just talk for a second and kind of briefly talk about the economic impact, particularly with our organization.

As I said earlier, we have received $2.7 million within the past 5 years in block grant funding. What we have been able to do is put a 513-percent return on that investment, and we are looking at 600 jobs created and retained.

We are looking at saving city refunds $2 million. We are looking at property taxes, $806,000, income taxes, $476,000; permits, et cetera, $20,000, looking at another $1 million in savings and revenue for the city. And that is cutting out the demolition, the building inspection, the code enforcement, and so forth.

These are things that with the block grant funding that we receive, we are able to create an investment within a neighborhood besides the demolition that would have happened no longer is happening—no longer happens for those particular homes.

Funding for neighborhood economic development in Detroit has been drastically cut, not only by the Federal administration, but even more by the city administration. Block grant funds in Detroit have been increasingly allocated to excessive administrative costs, to luxury riverfront development, and to big business bailout programs.

This year, neighborhood funding was cut 70 percent by the local administration, while welfare for the rich increased significantly.

It is for these reasons that we strongly urge all Members of Congress to support the demands of NPA.

One, 100 percent targeting of CDBG to low and moderate income; Representative Mitchell's H.R. 4679.

Two, overturn the President's $500 million deferral of 1986 block grant.

Three, double dollars for block grant in 1987, $6 billion.

Your immediate action is mandatory if the neighborhoods of Detroit, and neighborhoods throughout this country, are to survive.

Thank you.

[A factsheet supplied by Ms. Williams can be found in the appendix.]

Chairman GONZALEZ. Thank you, Ms. Williams.

Before we recognize the last panelist listed on this one, I am going to ask your indulgence here, we have been notified that Ms. Mary O'Hara from Massachusetts has a real time constraint, I think you have to catch a plane. She was listed No. 5 on the next panel.

If there is no objection, would it be possible to recognize her?

STATEMENT OF MARY O'HARA, MASSACHUSETTS URBAN REINVESTMENT ADVISORY GROUP

Ms. O'HARA. Thank you. My name is Mary O'Hara.

We have over 200 community organizations as members of our group. Most of them are nonprofits that do community development housing and economics.

We have managed to negotiate 20 bank/community redevelopment agreements in the Massachusetts area that have resulted in over $1 billion in reinvestment in home mortgage loans, home improvement loans, small business loans, community development loans and loans to multifamily rehab and purchase rehab.

All of this has not cost the Government a single penny. It has all come from CRA. It has all come directly from banks. It has allowed nonprofits to actually go into a bank and borrow money when before they were turned away at the door.

CDBG money has enabled us to take that bank money and stretch it further, and the bank money we have leveraged has made CDBG money go a lot further.

Many of the banks we have agreements with have agreed to work with the city in commercial loan programs, in home mortgage programs. They combined bank money with city home improvement money.

Some of the banks have set up special programs where they even lend elderly people money to pay back taxes, so they can have access to CDBG programs which require all taxes are paid. So these two things work absolutely hand-in-hand, one helping the other and each leveraging dollars much further.

Boston right now is in the middle of a severe housing crisis. We have prices that have risen over 135 percent in 1 year. We have people that are considered to live in some of the worst neighborhoods paying upward of $450 for rent, which is over 45 and 50 percent of their income, and these are working people.

In addition to what is going on with the Home Mortgage Disclosure data which is so threatened at this point with a 3-year lag coming out of the House, we are fearing for its very life at this point, and it has enabled this $1 million to be reinvested in the community.

Without home mortgage disclosure, none of this would have happened. When we first started with the Home Mortgage Disclosure Act last year, we had five amendments which we were asking. The bank mortgage companies would have to report, which they are now getting out of doing—putting home mortgage business in mortgage companies. We are asking for earlier reporting, and we were asking for small business disclosure.

All those amendments have been thrown away. We were asking for a permanent law and we are down to a 3-year law that is dated 2 years back.

We spent an awful lot of time working on passage of these kinds of legislation and our organization has gone from five staff people to two staff people, primarily because our board decided they didn't want to be in the position of competing with homeless shelters, day care centers and senior services, so we haven't gone after the foundation funding to keep the organization at that level.

For us to have to come back here in 2 years to fight for home mortgage disclosure again is a tremendous burden. If we have a permanent law, it shows the banks that Congress is serious about reinvestment and community reinvestment.

Given what is going on with deregulation and interstate banking, et cetera, the banks are looking for new powers. We are looking at banks targeting only upscale commerce.

We have people in Boston who no longer go to banks. We have had many people call us, their houses have burned and all of their savings have been in those houses because they haven't gone to banks, because the charges are so high.

All of this is happening at the same time we are looking at the Home Mortgage Disclosure Act being threatened, and CRA not being properly monitored by the regulators.

Unless Congress gets behind us on these, these victories we have had are seriously threatened for the future and the banks take their signals from Congress and they realize that if they are not interested in seeing HMDA extended for more than 3 years, they can get to get out from under all CRA has required from them.

To give you a real quick idea of some of the loans that HMDA has helped and CDBG contributes to: Small business loans, commercial real estate loans, home improvements for homeowners, job training, new housing construction, new home ownership opportunities, multifamily rehab, alternative housing for battered women, for elderly, longing house tenants, women and children, special housing, housing for the homeless, and new home ownership opportunities for low-income people.

The neighborhoods depend on home ownership so we have been innovative and have tried to create limited cooperatives, et cetera, in order to meet the need that is there, and not continue to look for long-term Government subsidies.

I think people in the communities have been innovative. We have leveraged money from every possible source. We have formed coalitions, we have worked with the private sector. We have done everything that has been asked of us in times of cutbacks over and over again, and I think that we are at a point now we can't go any further.

Thank you very much for this opportunity to comment.

Chairman GONZALEZ. Thank you very much.

Let me just say briefly. I introduced what turned out to be a chart 1 and in it we had permanent language. When we had the markup sessions, we invited witnesses from the New England that had track experience, you will remember, and gave us very eloquent testimony.

The banking interest, the financial interest, we were given a chance to present testimony. I am still convinced that is the way to do it.

We didn't have the vote. Either subcommittee or full committee. However, I don't give up easily. I mean the goal is still to have permanent language.

The testimony we heard here in my opinion did not mitigate against—I could see no great harm resulting from making it permanent—at least the evidence presented to us, and it was presented by the spokesman of every single prominent financial institution involved, directly or indirectly so that that is still a goal.

I would like to, if there is a compromise, it would be on 10 years, and I pledge as one member to continue that effort.

We don't know, things do change, circumstances alter cases, and we may come out with as near a permanent provision as we can put together here.

In other words, those of us that are convinced this is a thing to do are still convinced that way. It wasn't any compromise on my part. This was on a vote taken by the membership of the committee.

Ms. O'HARA. We appreciate your support. If you let us know which members are against, we will be glad to call them.

Chairman GONZALEZ. We will need your support.

I was going to say this and maybe I will say it right before you leave, because we haven't heard from one last panelist, but I will say it now for your benefit.

It has been very difficult. At the time we were having the markup last year, the fashionable thing was a freeze. The compromise was a freeze. You freeze everything.

I was against freezes. It was a lonely voice. I was even pictured as being extravagant. What did I want? Did I want to be realistic?

My contention was that the only thing that is frozen is inert, dead matter. That is the only thing you ever freeze in the freezer.

You don't freeze living organisms. Our country is a dynamic living organism and it has needs. People are being born.

I said to those that argued the other side "I will go along if no babies are born in this country; then you can freeze, freeze everything."

But that is not the fact. The fact is that this is a growing, still very dynamic country, and that what we need is to have the moral fortitude to redirect these energies and constructive and creative needs to fulfill the needs of this great country and its people.

So that the mood, was overwhelmingly that with this monstrous domestic debt that you couldn't be caught dead being called a spender and budget-buster, and that what we ask for which was, in my opinion, not a compromise—it was a sellout—was considered a budget-buster.

And so, the reality is that we came through what is known here as the reconciliation process where, after all the work, all the hearings, the markup amendments—and we had more amendments offered—nobody was shut out in the proceedings of markup.

We had over 106 amendments offered. No subcommittee can say that in the history of this Congress.

So with that we came out with a bill, with an authorization, in view of the fact that the President is asking you in the budget to zero out all budgetary authorizations for assisted housing—that is, public housing, section 202 and everything else, even vouchers which the administration itself was saying just a year and a half ago, or two, that that was their substitute for housing.

The President abandoned it when he presented his budget last year. He reabandoned it this year even though it was their program.

Now, the voucher program such as was presented by the administration does not provide one additional unit of housing stock for the country.

It predicated on using whatever is available in the existing housing stock.

So, it certainly couldn't be any kind of substitute for the program and policies that had come after 40 years of effort in the Congress in the Nation.

So, from the freeze to reconciliation where we followed in housing with everything else, got it out in a package, went to the Senate—it was killed there.

We are now back on square one. And this week, in fact, tomorrow, it is anticipated that we will go before the Rules Committee to get a rule on the authorization bill, so that if we do—I have no reason to think we won't, because in the meanwhile I think the mood has changed also.

I think there is a general acceptance now, even by those that might not have thought that way a year ago, that we do have a responsibility for having an authorization bill.

So, I think that we have a good chance, at least in the House, to get one that will include these programs, that will sustain some life in the assisted housing programs. And we go from there.

These are fights, as I said earlier, that you never win permanently. You have to keep fighting every year, and just in 1 year we have had a great swing in mood, as I said, from the freeze, which was absolutely a consensus in this body to reconciliation, that we were the few that dared to say, "No."

However, as in the case of Gramm-Rudman-Hollings budget reduction amendments, or deficit reduction amendments, no sooner were they to be implemented on March 1 when we had an emergency session to get two exceptions: one was on the dairy farmers, and the other was on the Veterans Mortgage Program which would have expired on May 1.

Those are exceptions that had to be taken to what otherwise was considered absolutely necessary.

The tragedy is that it won't do what it promises, even if it were to be implemented with no exceptions, between now and 1991 and it will not balance the budget.

One simple fact. On March 1 you had the first cycle to meet the reduction under the mandate of these amendments.

The amount saved or reduced was one-half the payment of the interest on the debt for the same period.

You are back where you were. You are on a tread mill.

The reason some have insinuated is that the fundamental cause for the deficit hasn't been addressed or will not be addressed.

I wanted to report to you, though, that when and if we do have an authorization rule and we are prepared to go to the House, we will need your help in communicating with those Members who represent your areas.

I was going to ask Ms. Willets who your representative happens to be in Toledo.

Ms. WILLETS. Marcy Kaptur.

Chairman GONZALEZ. Have you communicated with her your recommendations for the UDAG?

Ms. WILLETS. Yes.

Chairman GONZALEZ. OK.

Well, thank you very much.

We will recognize Ms. Gotts.

Of course, Ms. O'Hara, I hope you have a safe trip.

Ms. O'HARA. Thank you.

Chairman GONZALEZ. I want to say we had the great honor of visiting in Ms. Gott's apartment at the Abington Apartments in Alexandria last year, and I am still remembering with a great deal of gratitude your hospitality and the opportunity we had to visit.

Ms. GOTTS. Thank you.

Chairman GONZALEZ. Without further ado, we welcome you.

Ms. GOTTS. Mr. Congressman, thank you. Thank you for coming and accepting our invitation.

STATEMENT OF MAGDA GOTTS, ALEXANDRIA UNITED TENANTS ORGANIZATION, ALEXANDRIA, VA

Ms. GOTTS. Mr. Congressman, we are here today again in response to the housing crisis created by massive cutbacks for tenants of Alexandria and all over America.

We are losing our rental housing stocks for low-income families to unscrupulous developers and to profit-oriented development plan disposal by our own local governments.

Our communities of low-income families represent the basis of this country. We support this country with our work, our taxes, and our contributions to society.

We serve as an occasional research and development center for society. We are centers of light, places of vision and hope for the future.

Yet, we are cheated, mislead, and left alone to face serious problems such as the housing crisis by our government at local levels as well as national levels.

In Alexandria, 90 percent of the stock of private rental units either prohibit children or place restrictions on children.

In addition to that, for the last 10 years, housing opportunities for low-income people has been declining.

It is estimated that 500,000 low-rental units have been removed from the stock through the expensive renovation and condominium conversion.

It has been estimated also that about 5,100 units in Alexandria will be renovated or demolished before 1988.

City officials predict that thousands of the city's poorest people will be forced out of their homes and out of the city.

But where will these people go?

The problem is so severe through the Nation that practically there might be no place to go.

Reacting to this crisis, we are here before you because we want to voice our concern and also because we want to find solutions to our housing problems.

We want to mobilize available resources and we need your help to create more effective resources.

We need less money for military expenses and more money to support projects which will include tenants purchase.

We don't want our money to be blown up in space. We want it here for housing, for educational programs, for food, for our children.

We want the promise of decent and safe and sanitary shelter to be a reality for every single mother working in this country, for single citizens, for minorities, for the handicapped.

The city of Alexandria has right now $2 million in unspent urban development funds. We oppose the use of these $2 million in nonhousing programs.

We want to ensure that such be committed to housing programs, especially to create home ownership opportunities for low-income residents.

I am going to cut right now, because I know everybody is getting tired and it is a little bit late.

Chairman GONZALEZ. Thank you very much, Ms. Gotts.

We had monitored the situation, and we have since revisited with you in Alexandria.

We know the situation there because of what we learned when we visited.

Well, thank each and every one of you. We are going to follow through on your suggestion, Ms. Willets, and get some communication with your Congresswoman.

Thank you very much.

The next panel is Ms. Susan Patton, Senior Action Coalition, Lorain County, OH; Ms. Gloria Aron, Citizens for a Fair Budget, Cleveland, OH; Mr. George Lawson, South Austin Coalition, Chicago, IL; Mr. Unis P. Davis, Southern Counties Action Movement, Herrin, IL; Mr. Frank Lynn, Neighbors of Belknap Lookout, Grand Rapids, MI; Ms. Teri Cameron, Syracuse United Neighbors, Syracuse, NY; Ms. Mary Kissig, United Seniors of Lake County, OH; and Ms. Linda Haley, PRIDE, Chicago, IL.

Ms. Kissig, we will recognize you first.

STATEMENT OF MARY KISSIG, UNITED SENIORS OF LAKE COUNTY, OH

Ms. KISSIG. Thank you.

After I have heard all these other people with their big problems speaking, I feel like when I go to United Way they have all these corporate men talking when poor little Mary Kissig comes with her $400 problem. You feel kind of small.

So, I am the director of the Wycliffe Senior Center, and there is a lot of talk about cutting our grants.

We are a small community, and we depend on that greatly. So, our folks are all worried because as the Commissioner had told us we are safe until September 1986; then they all worry what is going to happen.

I said I am not going to worry. When September comes, then we will worry.

So I would just like to say that we hope that you people will support us and don't let that grant run away.

We need it. I am sure the other towns need it, because the community depends on that.

Our community needs money for snowplowing in the winter. They need it to care for our road. There are bridges to be taken care of. There are old water pipes that are going bad.

We get a great deal of service from our community from the Wycliffe Community City Hall—rather, I should say, our center, is taking care of the elderly ladies and gentlemen that come there.

They are retired people, and they stay home. They are bored, and they love to come to our center. We are open 5 days a week.

We have services such as a podiatrist comes there, blood pressure, play cards. We have nutrition three times a week.

We are not subsidized by the Government, because we were too late. When we got our grant from the Government to supply our kitchen, we couldn't get a kitchen in because we didn't have the food.

Well, that kept going back and forth until the Commissioner finally stepped in. And he said, "We only have 3 days left," so they took and they said that they would back us.

So we got four communities together, and these four communities, they paid their share of the food.

So, I just want you to know that I don't want you to take that grant. We need that. We depend on it, because our people are provided with a bus service. We need a new bus, also. They take them to the doctors. They take them to the hospital for treatments. And they go to their shopping.

And I had a lady the other day had a diner. We were served lunch at a nutrition site. This time it was really bad—it looked like dog food. That is what it looked like.

But I didn't say anything. "How do you like your lunch?" she said. I don't care what they serve me, just so I can come here and socialize. That is pretty bad.

They do depend on it. There is one little lady who is about 80 years old. When the center will be closed for Decoration Day, she will be worried, "What am I going to do that day?" Because then there is no bus service on the day when the center is closed.

So, what I was thinking, you give all this money away. Those people don't like us anyway. I was traveling in Europe; they hate us.

So anyway, I think that charity begins at home, and I think that is where we should have it.

Years ago, you didn't hear everybody getting handouts. We never used to worry so much about Europe. They don't care about us. I think we should look out for ourselves first.

I am like Dorothy. I don't know if you have heard her. She has been a wonderful reporter in Cleveland. She used to say we should put the American soldiers around our land, all around it, don't let anybody in and don't go out.

I thank you all, and just keep the grant coming, is all I am telling you.

Chairman GONZALEZ. Well, thank you, Ms. Kissig, and we are glad to have heard from you, and I hope you are going to travel.

Ms. KISSIG. We are going to the outskirts of Cleveland, some of our people are here. We are from Lorain. I have been holding them up for 2 hours.

Chairman GONZALEZ. Have a safe trip, and thank you very much.

Ms. KISSIG. Thank you for listening. I think you are a very nice gentleman, and my birthday is today, too.

Chairman GONZALEZ. Congratulations.

Ms. KISSIG. Thank you. Same to you. Too bad we can't go out and have a drink.

Chairman GONZALEZ. You are not old enough.

Ms. KISSIG. I am still kicking. Thank you all.

Chairman GONZALEZ. Our next witness is Ms. Susan Patton of the Senior Action Coalition of Lorain County, OH.

STATEMENT OF SUSAN PATTON, SENIOR ACTION COALITION, LORAIN COUNTY, OH

Ms. PATTON. Good afternoon. My name is Susan Patton. I am from the Senior Action Coalition of Lorain County, OH. I live in the city of Lorain.

Lorain's central area has suffered severely from the effects of Lorain's high unemployment, youth gangs, and absentee landlords plaguing the neighborhoods.

We seemed doomed to become one more forgotten urban wasteland. But instead, we have decided to unite.

Over the past year residents have met with the mayor of Lorain and many other officials from the safety department, health department, and city council to insure attention and basic city services for our neighborhood.

The neighborhood has slowly been deteriorating. Much of the housing stock has been left to rot.

One house, located on East 23d Street, has been vacant for almost 20 years.

Our neighbors met and discussed many of the problems in the neighborhood. We determined that, although there were several issues, the large number of vacant houses seemed to be at the root of each of them.

We felt that the stray dogs, rats, and increased crime was spawned by the housing situation.

While residents have been addressing the problem of getting vacant houses torn down, others have become vacant and vandalized. We simply can't keep up with the situation.

While many houses are beyond rehab, we feel that others could be saved if they are secured before too much time passes.

We need more, not less CDBG money in our city.

Last year the city of Lorain was allocated just over $1 million of CDBG money. This year, the allocation has been reduced to a mere $786,000 with additional severe reductions proposed for 1987.

It is vital that these moneys be increased for our neighborhood needs.

CDBG has been cut from $3.8 billion in 1980 to $2.9 billion in 1986. President Reagan wants to slash funding to only $2.4 billion in 1987.

The House and Senate Budget Committees seem to be leaning toward a so-called freeze in CDBG at the 1986 level of $2.9 billion.

This freeze actually means a 24-percent cut in CDBG since 1980.

Where has all the money gone? The chart below shows that this money, along with money from countless other pro-neighborhood, pro-family programs, was devoured by the Defense Department.

Since 1980, the Defense Department has gotten double dollars—a 223-percent increase—in its budget.

The result has not been a stronger military. The result has been well-documented waste, fraud, and abuse—from $500 hangers to airplanes that don't fly to getaway weekend vacations for rich defense contractors. All at our expense.

SAC supports the NPA proposal for double dollars for the CDBG budget, as well. We demand that $6 billion, which is twice the 1986 funding level, be allocated for CDBG in 1987.

The $3 billion in additional funding we are calling for can be easily found by cleaning up only the tip of the iceberg of defense contract abuse.

President Reagan has already slashed the CDBG budget by 24 percent. He has deferred $500 million in CDBG funds allocated for 1986. This reduces the 1986 funding level from an already low $2.9 billion to an even lower $2.4 billion.

Congress has the power to overturn the $500 million deferral. We demand no deferral of $500 million in CDBG funds.

Finally, since current CDBG regulations require that only 50 percent of CDBG funds go to projects that primarily benefit low/moderate income families or neighborhoods, we demand that all CDBG funds go to low- and moderate-income people.

Thank you.

[The prepared statement of Ms. Patton with additional material can be found in the appendix.]

Chairman GONZALEZ. Gloria Aron, Citizens for a Fair Budget, Cleveland, OH.

STATEMENT OF GLORIA ARON, CITIZENS FOR A FAIR BUDGET, CLEVELAND, OH

Ms. ARON. I would like to submit this written testimony and make a brief statement.

Chairman GONZALEZ. Certainly, without objection. Your testimony as presented in the document will appear in the record at this point, and you may proceed.

[The prepared statement of Gloria Aron can be found in the appendix.]

Ms. ARON. The Citizens for a Fair Budget is a coalition made up of advocacy groups and association service organizations located in Cleveland, OH. There are over 30 different groups participating.

We are here today to support the demands that have already been presented to you regarding CD.

I also would like to state in Cleveland, there are over 190,000 people living below the Federal poverty line. Many more are on incomes just above that line.

We also have a very old housing stock, so it is unrealistic to think we can build new homes. But we do have a lot of people who care and we have a lot of housing corporations who have worked very hard to take CD dollars and use those for leverage and to repair homes and rebuild homes in our community, and we have done a very good job.

We cannot continue to do that if we no longer have CD funds.

One of the buildings in my neighborhood, which is in Congressman Oakar's district, was about to be torn down. It has been arsoned. It was a total wreck. We took it under the wings of the community; we have now rehabbed it. It has 18 low-income housing units with section 8, 3 store-fronts downstairs, 1 is an Hispanic senior citizen center, 1 is a grassroots neighborhood center, and 1 is a for-profit barbershop.

This was a quarter of a million dollars project and obviously we didn't have that money. We took Federal funds and leveraged those for private funds.

We need this money desperately in our community. We also need to make sure that there are a lot of other programs. There are a whole lot of Mrs. Marshalls in our community, and if CD dollars are cut up out of our neighborhood and out of Cleveland, 2,000 women and men in Mrs. Marshall's situation will no longer have a Mills Program to go to.

Over 150 mothers, working mothers, will no longer have a day care to go to. They will be forced to either abandon their children in places they don't believe are safe, have them become latchkey children or else abandon their jobs. And they will then be forced back on the welfare rolls and then we will have more money being taken out of an already overburdened system.

This is a catch-22 situation. Many times many of us have come here—I remember when you held a hearing on the homeless. The homeless will continue to grow if we do not make sure that we can rehab the homes that we have now.

There is no place for seniors to go. There is no place for day care. We are going to have 2,000 children in Cleveland shut out of programs many of our agencies have if there are not CD dollars.

VAILABLE

Those moneys just are used for leverages. On day care alone in Cleveland, the CD dollars are $80,000. That brings in matching funds of about $268,000 from other programs.

We do the same thing with CD dollars in housing. We have been responsible for the money. We have taken a very small portion of money and made it stretch.

We hope that you, along with other members of this committee, would join us in Cleveland on May 17 when we will have a public hearing about all facets of the budget and Gramm-Rudman-Hollings, and we can show you more things about Cleveland.

We urge you to support all these things and we urge you, you must move on the resolution against deferral now or else you are going to shut down programs and we fear that these programs will not be put back together.

Thank you.

Chairman GONZALEZ. I understand that you and Ms. Patton will have to leave. She has left already, so we understand.

I thought I would ask one question. Does your citizens for a fair budget represent 30 different organizations?

Ms. ARON. Right. Many are grassroots organizations, many of them are also social services agencies like the west side, Meshrick house, garden valley, and the inner church council, the center for child advocacy. It is a very broad-based group of different organizations throughout.

Chairman GONZALEZ. Is the citizens for a fair budget funded?

Ms. ARON. No, we have all pulled together, every organization has pulled together to form a coalition to address the issue of the budget, to come to hearings like this today to lobby, and we have met with Congresswoman Oakar and Stokes and urged them to put in the resolution.

Chairman GONZALEZ. Very good. What are you are having on May 17?

Ms. ARON. We are having a public hearing in Cleveland at our library where—we have invited all elected officials and also the corporations, who are the tax evaders of Cleveland, to come and we will show them how they could pay their fair share not only in taxes, but also in contributions and then also think about doing some constructive job training programs.

And we would sure love to have you.

Chairman GONZALEZ. What day of the week is it?

Ms. ARON. It is on a Saturday. We could always find a place for you.

Chairman GONZALEZ. Thank you very much.

VOICE. You can even stay in that rehab building. I have an extra bed.

Chairman GONZALEZ. I am for that.

VOICE. We will give you a call.

Chairman GONZALEZ. Our next witness is Mr. George Lawson from the South Austin Coalition of Chicago.

STATEMENT OF GEORGE LAWSON, SOUTH AUSTIN COALITION, CHICAGO, IL

Mr. LAWSON. Thank you. We appreciate this opportunity to again appear before you and to present testimony on the housing needs in our neighborhood.

My name is George Lawson. I am housing community chairman of South Austin Coalition Community Council on the West Side of Chicago. I am also a founding board member of a development organization called PRIDE.

Before I continue, I view you as a good manager, but I am wondering about your team. I notice on the list there is a gentleman from Illinois. And in order for you to really push the issues and function sometimes those gentlemen should be here. This is my third time, and I don't think they are that busy all the time.

We will deal with the one from Illinois. That I promise you.

As in the past, we emphasize the great housing need, and I urge community development dollars are needed. In the past year, we have testified about how our community development funds leverage private sector funds, priming the pump on private reinvestment.

For instance, one unit insurance has provided below-market interest to rehabilitate our deteriorating buildings, family and housing stock.

We have finally been getting cooperation from the city as the mayor alluded to in his testimony. We have used the expertise of our neighborhood organization and the neighborhood people in rehabilitating buildings, and weatherizing buildings and much more.

We have been creative. We got Cook County to pick up tax delinquent buildings and give them to neighborhood organizations that have rehab expertise.

In 1½ years, we have been able to put buildings back on the tax rolls. We also have two other buildings that are in work now that will also go back on the tax roll to generate revenue.

In South Austin next year we will be breaking ground for a new single housing development. Yesterday we met with the National Association of Home Builders to try to get their unit to look into inner-city communities so that our young people can reside in the community and not have to move out to look for houses, because any time you cannot rehab buildings, they are torn down and there is a vacant spot. Those spots should start being rebuilt in our country.

We want the State to make available funds from a housing trust fund and for low- and moderate-income housing. I think since the funds now go to the State, the innercity has not been feeling the value of those funds. We should do something to generate that revenue in inner-city communities.

We are used to making do with little or nothing, and we have a new thing when we get something to leverage or get community development funds, private funds, any investment, section 8 is gone. There has been nothing to replace any of the cutbacks, any of the funds that we have used to live on in the last 5 years.

In South Austin, we say Reagan is going out and taking the United States with him. But, Congressman, you can't live in a house with a roof that has caved in, CDBG funds have been that roof. We need to reestablish those funds to put the roof back on the house so that our families can live, and we need to make home mortgages a permanent law.

Thank you.

Chairman **GONZALEZ**. Thank you once again, Mr. Lawson, for coming to the committee. I don't remember if you were there when we had the hearing at the shelter for the homeless on Second Street. I believe it was the following year.

Mr. **LAWSON**. No; I was not there.

Chairman **GONZALEZ**. The next witness is Mr. Unis P. Davis, the Southern Counties Action Movement of Herrin, IL.

Thank you very much for coming all the way over.

STATEMENT OF UNIS P. DAVIS, SOUTHERN COUNTIES ACTION MOVEMENT, HERRIN, IL

Mr. **DAVIS**. Thank you, sir.

First of all, congratulations on this anniversary. Nobody made an attempt to get you to declare how many anniversaries, and I will pass up that responsibility also.

Chairman **GONZALEZ**. All right.

Mr. **DAVIS**. My name is Unis P. Davis. I am the president of the No. 9 Community Development Corp., a not-for-profit organization that represents a deserted mining community in Williamson County, called No. 9 because it was the number of the mine operated by the Madison Coal Co. in the early 1920's.

We also belong to the Southern Counties Action Movement. We also serve as a board member of the Agency on Aging, which is the agency representing the 13 southernmost counties in the State of Illinois.

Our participation in these organizations have afforded us an opportunity to observe the needs of the whole spectrum of the people of southern Illinois, crossing all boundaries of age, crossing all boundaries of race, religion and all the other separative things in our society that cause men to be on one side or another rather than together.

We at No. 9 are probably the first in the Nation of a rural community that was able to get a grant under the Community Development Block Grants for the installation of a sewer which is in the ground. It has taken us 3 years, first of all, to convince the county board that we are their responsibility, and for them to apply for the grant for us.

We mention this because we believe that we are representative of the small and rural communities all across America, and to add our voice to all of the voices that you have heard today in urging you to support the recommendations of—that have been made by all of the speakers that have preceded me.

We, as I said, feel that we are representative. There will be completely unable in all the communities across the country, particularly a lot of the rural ones, to ever dry out—a dry of water out of a running spigot if these funds are not restored.

The only reason there are communities all over the country, particularly in southern Illinois, that haul the water because—and with the cut, they will never be able to dry water without hauling it unless these things are restored to their proper proportion and be able to share in the benefits of this great country of ours.

Chairman Gonzalez. Thank you, Mr. Davis. I really appreciate it.

Herrin County is—that is in southern Illinois?

Mr. Davis. Herrin is in Williamson County. It is the county we live in.

The Southern People's Action Movement, County Action Movement's office is located in Herrin. The area I live in is 3 miles west of Herrin, 13 miles east of Carbondale, IL, along Route 13.

Chairman Gonzalez. Well, we really appreciate your coming all the way up here. You may not feel it, but let me assure you it is very helpful.

Mr. Lawson, for instance, has been a witness here before, as well as a couple of the others, and they might have thought then that their testimony didn't help, but it certainly has. It took us 3 years before we got around to the first authorization under this administration but we got it. And so that is the beauty of our system; if we just keep on it, we'll get it.

Our next witness is Mr. Lynn from Neighbors of Belknap Lookout, Grand Rapids, MI.

STATEMENT OF FRANK LYNN, NEIGHBORS OF BELKNAP LOOKOUT, GRAND RAPIDS, MI

Chairman Gonzalez. Isn't that where Dave Stockman comes from?

Mr. Lynn. Yes; I can't say as I am proud of that.

My name is Frank Lynn, and I am with the Neighbors of Belknap Lookout, Grand Rapids, MI.

Ten years ago I moved to Grand Rapids, rented an apartment in a low-income neighborhood and started looking for my dream farmhouse in the country. The area was physically deteriorating and residents had given up hope for the area. Those who could had moved to other areas.

Numerous houses had been abandoned and the few that were occupied were well-maintained. Crime was high and fear prevailed.

Today, I own a home and still live in that neighborhood. Why? Because our neighborhood is improving, largely due to the impact of the Community Development Block Grant Program.

I became a member of the area neighborhood association, a group of neighbors formed to solve the problems facing the community. I was appointed to represent our ward on the community development citizens committee, a citizens group which recommends to the city commission how the block grant is spent. Both groups allow city residents to identify needs and determine how community development funds are used.

Today my area has become a more desirable place to live, community development funds have converted vacant lots into neighborhood parks, rebuilt sidewalks, streets, and curbs, and assisted low-income neighbors in rehabilitating their homes.

The residents are becoming hopeful and willing to work to make the neighborhood a better place to live. A crime prevention program was developed to help neighbors organize crime watch block clubs, engrave their valuables, and make their homes more secure from forced entry.

Community development money has been used to leverage matching funds from the State, private foundations and local businesses. It has also served as a catalyst for private sector investment as our areas improve.

These improvements have stimulated neighbors to improve their homes and reinvest in the area.

The Community Development Block Grant Program has proven to be the only consistent source of money for improving our aging and predominantly low-income neighborhood. The program has made progress, but like a person who has undergone an exercise program to get in shape, a maintenance program is needed to stay in shape.

I encourage you to reinstate full funding for this program so that progress can continue.

Thank you.

Chairman GONZALEZ. Thank you very much, Mr. Lynn. I really deeply appreciate your presence and your testimony.

I think you can tell that as far as the committee is concerned, I will say this, the overwhelming predominant majority on the committee are not out to do away with, or if they can help it, cut CDBG. Like everybody else, sometimes you just don't have that vote. In this case we will have it, but thanks to your help, which we will ask on a sustained basis.

Our next witness is Ms. Teri Cameron from Syracuse United Neighbors, Syracuse, NY.

STATEMENT OF TERI CAMERON, SYRACUSE UNITED NEIGHBORS, SYRACUSE, NY

Ms. CAMERON. Excuse me if I sound familiar; I spent 7 years in San Antonio.

Chairman GONZALEZ. I thought your face looked awfully familiar. I knew it, I knew it.

Ms. CAMERON. I did quite a bit of organizing with Reverend Walker on the West Side of San Antonio. I am now on the West Side of Syracuse. Lo and behold, I found there is a lot of issues there, too.

But before I go much further, with all due respect to you, and I do appreciate that you have been patient, tolerant, and very warm in your response to our appearing here, I too must comment on the lack of attendance. I am appalled. I have never been here before, and I am ashamed.

I would like to know where our elected Representatives are when the people come here to speak to them.

Although I still think of you as my past Representative, my current Representative, Mr. Wortley, has chosen not to be present today and he was informed we would be here.

In any case, I would like to say happy birthday. My oldest son's birthday is also today. I can fall into that category as well.

I live at 127 Grace Street in Syracuse, NY, and I am representing Syracuse United Neighbors a community organization of 1,000 members.

Syracuse, NY, has a population of 170,000 and a major portion of the city has been targeted by the Community Development Block Program. In 1980 the city received an entitlement of $8 million but this year we are receiving $4.75 million or a 29-percent cut from last year.

What angers us is the fact that almost 50 percent of this program has been cut in the last 6 years. And I just know that there is absolutely no reason for anyone to go without decent food, shelter, clothing and medical care in this glorious country of ours.

Washington is using up our money for its own programs and not returning it to our neighborhoods.

Our services are being cut drastically. More and more houses in our neighborhoods are being torn down. A case in point: We brought an exhibit of a house from Syracuse. Unfortunately, there are entirely too many houses of which this can be a sample on my own west end neighborhood, and the south sides of Syracuse.

More and more are not receiving the Federal low-interest loans to make the needed repairs that you in Congress take for granted. These cuts really are pennies compared to the total Federal budget.

What is the priority of our Federal Government? Is it not to help the people?

People in Syracuse are hurting, as they are, from the stories that we have heard today, all over the country. They are hungry and homeless and without adequate shelter.

Compare this CDBG budget to military budget. We hear about the waste and the open purse. But our neighborhoods can be beautiful especially if you on Capitol Hill would do our jobs and see that we weren't having these problems.

The money is there if we need it. You are our elected Representatives and you must remember, you work for us.

CDBG encourages self-help at far more reasonable costs than what we hear about military cost overruns.

We make the following demands to the people on this Hill: *(a)*, repeal Gramm-Rudman-Hollings, too; *(b)*, repeal the Price-Anderson Act; repeal the McCarran-Ferguson Act. We want a permanent HMDA—Home Mortgage Disclosure Act.

I have some letters that are coming to you, some belong to you and there will be others forthcoming on our choice on the HMDA.

We would like a full investigation, and regulation of our country's largest utility, the insurance industry.

And we want to see the enactment of the Federal Risk Retention Act.

Last but not least, we would like to start taxing the large corporations and plugging up the tax loopholes. I feel certain that by requiring that everyone pays their fair share and by enforcing accountability of all Government agencies and departments, we will somehow, somehow, find that we have sufficient moneys, not only to balance our budget, but also to supply the funds so desperately needed by the people in our neighborhoods.

Thank you very much.

Chairman GONZALEZ. Thank you very much, Ms. Cameron. It is a very pleasurable experience for me to welcome you and greet you here.

I would comment with respect to your referring to the absence of the Members, and also Mr. Lawson. First, we have only one member of the Committee on Housing, Subcommittee on Housing, from Illinois, and he had been very ill. In fact, he has been in a coma, Mr. Grotberg. The other members of the full committee, I think it is one other, is not a member of the subcommittee.

The testimony you presented will be given for each member of the subcommittee to see if they want to see it. You, of course, will get a transcript of the proceedings that you can correct and amend or reform, and then there may be some members of the subcommittee who couldn't be here today.

I will advise that three of the States are having primary elections tomorrow. Ohio—what other two States are having primaries? I know that Ohio is having a primary and we had word from some other members that they would not be here today because they are going to stay over tomorrow.

In fact, I have just been notified that the hearing, the Rules Committee was going to give us tomorrow on the housing bill, because of the primaries, will be postponed until the first thing Wednesday morning. So that you do have these things that sometimes really seriously and honestly prevent a member who otherwise would be here from being here.

I notice that some requests have come in, in fact, for copies of your testimonies, so those that have been presented in writing, we will wait until the reporter has typed up his transcript and then the members will have a chance to read it.

I know that nobody could be more disappointed than I, it always is a tremendously rewarding experience to have as full a presence of the committee as is possible. But we have had experiences in which it is really literally impossible.

Some of the members are also chairmen or chairladies of other subcommittees, and sometimes they have conflicting dates for hearings and markups. So that would be one reason.

Ms. CAMERON. You are very generous.

Chairman GONZALEZ. Also, it is Monday. The legislative program today called for no votes. We had what we call a suspension calendar in which you had about five or six bills that are supposed to be noncontroversial, but which if a vote was demanded, the vote by agreement was passed over until tomorrow, I believe.

Now, why tomorrow, I don't know, because it won't be possible for most of the members living in those three States having primaries to be here. I am sure they would want to be back home, especially if their name is on the ballot.

Oh, yes, it is North Carolina, Ohio, and Indiana.

Ms. CAMERON. I have one question. Is there an opportunity to submit additional testimony?

Chairman GONZALEZ. Yes.

Ms. CAMERON. Beyond today?

Chairman GONZALEZ. Oh, yes. You may submit additional testimony or anything else for the record, provided you do it at least when you return the transcript.

Ms. **Cameron**. If it is sent out this week, it will be soon enough.

Chairman **Gonzalez**. It is about a 2-week period that you have to submit additional testimony.

Ms. **Cameron**. Should that be addressed now?

Chairman **Gonzalez**. Yes, to the subcommittee. My name is fine.

We haven't heard from Ms. Haley. It wasn't that I was overlooking you. It is that some of these questions arose and some of the witnesses may have to leave.

STATEMENT OF LINDA HALEY, PRIDE, CHICAGO, IL

Ms. **Haley**. Mr. Gonzalez, I am very honored to be here. This all happened so fast.

Chairman **Gonzalez**. Well, you honor us.

Ms. **Haley**. I am very proud to be here. I came here to give my very personal testimony to represent the poorest of the poor.

I was born and raised in the city of Chicago. I was born with a health problem, asthma, and I still have it. And countless of times I have tried to hold a job and was unable to, running in and out of hospitals.

I was forced to raise one child, one boy off of public aid, and my child was 8 years old and at that time I had to place him under custody with the department of children and family services because I was trying to maintain decent housing off of $238 a month.

I had to shoplift for personal needs and food because I would sell food stamps to help pay my rent and utilities. That bothers me and I did the best I could, in that manner for so long.

I was reduced to my lowest term when my child was away from me. I had to struggle off $144 a month, $79 in food stamps.

I lived like a dog on the west side of Chicago. I slept where I could sleep, I prostituted, I checked cans, I did what was necessary for me for survival when every free social organization in the city turned me down.

The only thing they offered me was cheese, butter, and powder milk. I couldn't even make a sandwich. I slept in hallways, whoever let me sleep at their house. I was treated like a dog. I couldn't go to my family; they are struggling too.

So-called friends, they turned their backs on me. I was away from my child for 4 years. I went everywhere for help and they said "do what you have to." I ran into old people sleeping in hallways, living wherever they could live, eating out of garbage cans.

I came close to eating out of a garbage can. Then a miracle happened. After 4 years of struggling, after 4 years of going to people and saying, "I need help," I was placed, also, 2 years to fight for my social security, I finally got that.

I was placed in public housing in the condemned buildings that I live, conditions were horrible. I woke up a lot of mornings with rats in the bed with me, roaches. It was terrible. It was horrible. I still have nightmares about it. Time will have to heal that.

I was one of the blessed and the lucky ones because after public housing, I was called for an apartment under section 8, rent subsidized housing, through an organization called PRIDE, and I am proud of this organization, People Reinvestment and Development Effort, and also with the help—and since I have been renting from

PRIDE, and now receiving my SSI, I am able to maintain decent housing.

I am crime watch captain in my building. I have responsibility. PRIDE is very concerned about me and other tenants.

Since I have been renting under section 8 housing, I don't have to sell my food stamps. I don't have to prostitute myself. I have my son back home with me now, and I am proud of the people coming around me and I am not going to let anybody tear that building up, to build, to rehabilitate.

And I am here to say there are people back in the city of Chicago who prostitute, shoplift, selling food stamps, ready to knock somebody on the side of the head for money to pay the rent in condemned buildings where rats meet you at the front door.

It upset me, when I think, when I go back to Chicago I like to take a little hope I live in some of emergency shelters, shelters are nice, but we rather have decent, affordable housing, not emergency shelters.

And there are people, senior citizens, they work hard all their lives, they help make America. Why should they live and sleep in hallways? Why should they eat with whatever they can eat? They shouldn't have to suffer.

Children—I was to the point of committing suicide. But I guess what started me was the fact I had a baby, had a son who I wanted, but it was so sad because there were children out there in the streets. Children are innocent. They don't know what is happening. But they are suffering and something has to be done about it and be done about it fast now.

This organization PRIDE they really are fighting hard to rehabilitate buildings that can be rehabilitated. You know if you stop this grant, if things don't get in order like they should be, you know, this has to stop, got to stop. People need housing. People have a right to decent housing that they can afford. Nobody wants to live like dogs.

You love us when the voting time comes.

I would like to conclude this. I would like to read this, sir.

We ask you as our representative to fight for every section 8 subsidy that you can to house the poorest of the poor. These kind of subsidies are needed, period.

There are other ways also that low- and moderate-income housing can be promoted on the national level. One way is to repeal or adjust the Davis-Bacon law to allow for savings of construction costs while providing realistic wages to workers where affordable housing is needed.

With the help of Federal money, PRIDE can provide housing to the working poor without rent subsidies like section 8. You as Democrats and Republicans must courageously fight and take a stand on this. In our community and many others, this will enable more employment of local minority contractors and keep rents low.

Finally, PRIDE would like to promote methods to get the most bang out of every buck by changing regulations for delivery of Federal housing money.

This would mean making of criteria to increase low-income targeting of Federal moneys while forcing local municipalities to meet a standard of streamlined delivery systems. In other words, limit the amount of local administration costs.

Just as charts are accountable for putting the highest portion of contributions directly where it is needed, so must our tax dollars be stretched to help low- and moderate-income housing development. We can no longer afford the wasteful and clumsy bureaucracy that increase our cost and development.

The need for decent housing is everyone's right, and you as our representative can ignore this only for so long. The crisis is growing and the private sector will not build us out of this problem.

I am one of the lucky ones, but it shouldn't be luck; it should be there, period.

Thank you, sir. Happy birthday.

[The prepared statement of Linda Haley and miscellaneous material can be found in the appendix.]

Chairman Gonzalez. Thank you very much, Ms. Haley. Thank you very much.

I wish you Godspeed in your future life and endeavors and deeply appreciate your help.

Ms. Haley. Thank you, sir.

Chairman Gonzalez. It is truly valuable and it will be invaluable before we are through here fighting the cause. Of course, I think you know that we are for you.

Ms. Haley. Thank you.

Chairman Gonzalez. And we will do everything we know how to bring about a housing authorization.

Ms. Haley. I know you are a good man.

Chairman Gonzalez. Thank you again.

Thank you, Mr. Lynn.

Mr. Lawson, thank you again, and don't wait for a hearing. Come around any time you are around.

Mr. Lawson. I will be back.

Chairman Gonzalez. All right.

The subcommittee will stand in adjournment.

[Whereupon, at 5:40 p.m., the subcommittee was adjourned.]

APPENDIX

NATIONAL PEOPLE'S ACTION
NEIGHBORHOODS First

April 18, 1986

The New York Times
229 W. 43rd St.
New York NY 10036

To the Editor:

In a recent letter (Housing is More Affordable Under Reagan, April 16) Secretary of Housing and Urban Development Samuel R. Pierce tries to deny the fact that a severe housing crisis exists in America.

In typical supply-side fashion, Mr. Pierce cites "good news" from the housing industry to prove his point, without considering any information about the millions of low income Americans who are unable to find decent housing at prices they can afford.

Is Mr. Pierce aware, for example, that there are more than 75,000 people on waiting lists for public housing in the city of Chicago? Does he know that in the state of Illinois, the Mortgage Bankers Association reports that nearly one out of ten borrowers is behind on his or her mortgage?

Has Mr. Pierce ever looked at U.S. Census statistics on the availability of low cost housing? If he did, he would find out that in 1985, there were 8.1 million people who needed low cost housing, but only 4.2 million such units were available.

The gap of 3.9 million units of low cost housing that is needed but not available is more than double what it was in 1980, before the Reagan Administration took office.

That's because the Reagan Administration has helped to create the housing crisis by cutting back on virtually every category of Federal housing assistance. Between 1981 and 1985, the Administration slashed $15 billion from the public housing budget, eliminated $10 billion in low income housing grants, and cut $17 billion from the low and moderate income programs of the Farmers Home Administration.

In 1987, the Administration proposes to totally eliminate funds for low income housing from the Federal budget, and to terminate housing assistance for elderly and handicapped Americans.

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One result of these stingy, shortsighted policies has been a dramatic increase in the number of homeless people living in desparate circumstances in our nation's cities. Mr. Pierce's own department estimates that there are between 250,000 and 300,000 homeless people in the U.S. Outside experts say the figure is ten times higher.

There are between 15,000 and 20,000 people with no permanent housing right in Washington DC, according to organizations that serve the homeless. Nearly 1,000 of them sleep each night in a shelter that is only a few blocks away from HUD's giant office building in the Capitol.

The housing crisis in America is very real, and it is a national scandal. Mr. Pierce's ignorance of the problems his department is charged with correcting is also a national scandal.

Sincerely,

Gale Cincotta
Gale Cincotta
Chairperson

Note: The writer is chairperson of National People's Action, a coalition of low and moderate income citizen organization with affiliates in 38 states.

CHICAGO FEDERAL AGENDA

Legislative and Budgetary Issues

1986/87

CITY OF CHICAGO
HAROLD WASHINGTON, MAYOR

OFFICE OF THE MAYOR
CITY OF CHICAGO

HAROLD WASHINGTON
MAYOR

April, 1986

Dear Friends:

This book describes the current legislative agenda of the City of Chicago in the U.S. Congress, including our priorities as determined by the needs of Chicago residents and by our vision of the future.

Recent years have brought hard times to American cities. Once recognized as the wellspring of our nation's economic, social and cultural vitality, urban areas have found themselves reduced in Congressional debate to yet another "special interest" group. No characterization could be more devastating for local entrepreneurs, civic groups, community organizations, and local government itself. It would appear that there is now a penalty, in the eyes of the federal government, for living, working, or doing business in a major American city.

Over the last 50 years we have experienced philosophies of more or less federal assistance and of continual change within the programs themselves. But now we are facing a virtual revolution in federal thinking about assistance to cities. The Reagan Administration is not attempting to reform or improve federal urban programs, but to eliminate them entirely. This is unprecedented.

We understand why President Reagan would prefer, for political reasons, to shift the tax burden from the federal to local level. But, contrary to prevailing myth, local governments do not have the capacity to provide uninterrupted basic services in the face of deep cuts in federal spending. As our analysis makes clear, cuts proposed by President Reagan cannot be absorbed by offsetting increases in untapped local taxing capacity.

Local governments, including Chicago, have already moved to increase taxes in order to hold the line on previous federal spending reductions. But there are two major reasons why further shifting of the tax burden from the federal to the local level is bad policy, inequitable, and runs counter to the ideals of American society.

First, Chicago sends to Washington, D.C. far more in tax dollars than it receives back in federal monies. Illinois is 48th among the 50 states in the percentage of dollars received back from tax dollars sent to the nation's capital. President Reagan is not proposing to lower the federal tax burden on Chicagoans -- he is merely proposing to send us back less.

Secondly, replacing federal dollars with local taxes would greatly increase the tax burden on the poor, the elderly, those on fixed incomes, and middle income property owners. Federal income taxes are based on people's ability to pay and are far more progressive than any additional tax source locally available to Chicago government.

In this document we are essentially asking that Congress hold the line on cuts to urban programs. We believe that maintenance of these programs at FY85 service levels is vitally important to the survival of America's cities and the people who live within them.

Beyond the immediate imperative to hold the line on cuts, there is a long-term need for a national urban agenda, an agenda that recognizes the importance of cities and of federal involvement in urban issues. As a civilized country, we need a national minimum standard for basic social welfare programs -- a minimum national standard for employment, housing, health, hunger and homelessness. We need to ensure these standards so that community is not pitted against community, rich against poor. We need to move forward, not backward, with the development of our urban life.

Sincerely,

Harold Washington

Mayor

1986 FEDERAL LEGISLATIVE AGENDA

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I. INTRODUCTION

The 1986 Federal Legislative Agenda and Budgetary Analysis outlines the legislative recommendations and priorities of the City of Chicago. It also provides a brief description of the federal programs involved and information about how those programs are utilized in Chicago and the populations that they benefit. Included is a detailed analysis of the impacts on Chicago of the Federal FY87 budget proposed by President Reagan.

The Agenda consists of three sections:

1. Overview.

2. Major legislative policy areas, including legislative recommendations and descriptions of the affected programs, as they are implemented in Chicago.

3. A detailed analysis of the impact on Chicago of the 1987 budget proposed by President Reagan, including specific program dollars and cuts.

II. OVERVIEW

The City of Chicago faces the most dramatic loss in revenues since its incorporation more than 100 years ago. The FY87 federal budget proposed by President Reagan would create a shortfall for the City of Chicago of approximately $440 million (based on maintaining services at 1985 levels).

This loss would be catastrophic. Programs that aid the poor, elderly and disabled would be eliminated or severely reduced, while programs that maintain the quality of life for lower and middle class urban dwellers alike in the areas of transportation, housing, and economic development would be dramatically reduced.

In this Chicago is not alone. This country is facing a radical realignment in Federal spending and priorities. The President's budget would eliminate many critical programs established to maintain the viability of cities as a vital factor in the nation's infrastructure, and as a key provider of economic, social, educational and cultural services to a large sector of the population.

If the President's budget is adopted, major Federal programs that benefit cities will have declined by 71 percent in dollar levels over the FY81-87 period and by more than 82 percent in real terms, according to a report by the U.S. Conference of Mayors.

The fiscal stability of cities such as Chicago is being threatened simultaneously from a number of directions. Cities face a loss in revenue from elimination of entire programs such as General Revenue Sharing, from the across-the-board cuts of the Gramm-Rudman-Hollings deficit reduction initiative, and from tax reform proposals under consideration. The combined result of these measures would be constriction of urban economies with loss of jobs and economic development.

Massive deficit reduction would impact negatively on the overall economy. A recent study by the Wharton Econometric Associates showed that cutting the deficit to zero by 1991, assuming no offsetting stimulus, would bring the economy to a grinding halt and push unemployment to massive levels. In other words, it would work counter to all efforts to create jobs and encourage investment.

Current tax reform proposals would place restrictions on the use of local tax-exempt bonds, preventing local investment and creating a potential loss in Chicago of over 9,000 construction jobs and 20,000 permanent jobs in one year alone.

Cuts in the Community Development Block Grant and Economic Development programs in Chicago would mean a loss of 8,000 jobs. The end of General Revenue Sharing would mean the elimination of one-third to one-half of the budget of a dozen City departments, affecting key programs in the areas of job training, housing and human services.

Cities are already strapped for funds and cannot make up these losses through local tax increases. The tax burden has already shifted significantly from the federal government to our cities and states. Since 1980, localities have been increasing taxes to compensate for the loss of federal funds. Local taxes have been increasing at a much faster rate than federal taxes. Between 1979 and 1983, federal revenue increased 15.5 percent, while state revenues increased 32.6 percent and local revenues were up 37.8 percent. State and local governments have already shouldered more than their "fair share" of the federal deficit burden.

In essence, our position is that critical urban programs must be maintained at FY85 service levels. The federal government must hold the line on these programs, in order to ensure the future survival and development of America's cities.

The City of Chicago strongly opposes elimination or reduction of the following programs, which are essential to cities.

1. General Revenue Sharing - The Administration has proposed to eliminate GRS in 1987. In addition, Congress appears to be reluctant to reauthorize the program. The City receives $67 million annually in GRS that funds an array of health, consumer services, sanitation and aging programs. GRS serves 39,000 localities in America. It is vital to many cities and a top priority for Chicago.

2. Community and Economic Development - The Community Development Block Grant is a lifeline program for hundreds of community-based organizations in Chicago. It provides 77 percent of the funds for housing programs, 33 percent of the Health Department budget, and 87 percent of the Department of Economic Development budget. To mention just a few examples, the cuts proposed for CDBG would mean a loss of 80,000 home-delivered meals, a loss of 10,000 medical trips for the elderly and disabled, and a decrease of 2,000 rehabilitated housing units. The $103 million program has a broad impact throughout the City and at a minimum must be maintained at the 1985 funding level.

The Urban Development Action Grant, Economic Development Administration, and Small Business Administration programs are proposed for elimination. These programs are the only remaining economic development tools left to local government. The UDAG program has been successful in leveraging $7 dollars of private sector money for every $1 dollar of public funding. In Chicago, UDAG funds have helped create more than 25,000 new jobs.

Loss of these key financing mechanisms will result in a loss of millions of dollars in private investment and tax revenues and thousands of jobs.

3. Housing - The City's Housing Department will be devastated by the Reagan Administration's budget, resulting in a 91 percent reduction in housing rental programs for low income families. Rental Rehabilitation Programs, Rental Housing Development Grants, HoDAG, weatherization, and subsidized housing all would be eliminated. Six thousand low income households would not receive weatherization assistance, more than 500 housing units would not be rehabilitated, and other programs such as energy assistance would be dramatically reduced.

4. Public Works and Transportation - The Administration proposed an overall 65 percent reduction in public transportation funds, including the termination of the discretionary program for new starts and expansions, the elimination of operating assistance, and the end of separate funding for the Interstate Transfer Transit program. These reductions will result in higher transit fares and service cuts in Chicago. The total loss to Chicago would be more than $200 million.

Airport funding would be reduced by 20 percent and highway resurfacing programs would be dramatically cut.

5. Health and Human Services - Although health and human service programs received less drastic cuts, the Reagan budget proposes to fund many programs at levels which do not allow for increased program need.

The Administration is proposing the elimination of the Community Service Block Grant, Legal Services and all funding for emergency food and shelter activities. These cuts are proposed at a time when the demand for emergency assistance continues to grow in many cities. Aid to Families with Dependent Children, child support enforcement and refugee assistance would be cut.

Overall, the City would lose almost 15 percent or $15 million of its funding for health and human service programs, which would result in the closing of at least four community service centers, reductions in summer lunch programs for poor children, closing of day care and after-school centers, and reduction of many other social service programs.

6. Employment and Job Training Program - Major reductions in FY86 and FY87 funding are proposed for the Summer Youth Employment Program and Job Corps. Also proposed is the elimination of the Work Incentive Program for recipients of Aid to Families with Dependent Children (AFDC) and a 50 percent reduction in vocational educational assistance.

Overall, Chicago would lose 35 percent or $20 million of its job training and placement funding. A major blow would be dealt to the Summer Youth Employment Program where the City will lose 12,000 summer jobs. A loss of summer jobs would only result in higher crime and youth gang activity.

Policy Areas

III. MAJOR POLICY AREAS AND LEGISLATIVE RECOMMENDATIONS

A. GENERAL REVENUE SHARING

Legislative Recommendations

General Revenue Sharing must be reauthorized at $4.6 billion before it expires September 30, 1986.

The General Revenue Sharing (GRS) Program was established in 1972 to give local governments flexibility in the spending of funds. GRS attempted to simplify and rationalize the intergovernmental system by consolidating grants and relaxing rules and regulations that have previously governed most grant programs.

Thirty-nine thousand localities across the Country receive some portion of the $4.6 billion authorized for the program. It is the only remaining Federal entitlement program which provides funds directly to local governments. In Chicago, GRS is utilized by a dozen City departments to help fund programs and services in the areas of housing, health, human services, aging, disability and sanitation.

Since Illinois ranks 48th in the return on our Federal tax dollar, programs such as General Revenue Sharing are essential to ensure that Chicago receives some share of its tax dollars back. Previous reductions in GRS have already shifted costs of basic human services to the City's corporate budget in the form of property taxes, fees, and fine and permit revenue sources, placing a greater burden on the individual taxpayer.

The City cannot continue to absorb reductions in Federal funds which will result in increased local taxes.

B. COMMUNITY DEVELOPMENT BLOCK GRANT

Legislative Recommendations

- **Reauthorize the CDBG program and maintain CDBG appropriations at 1985 funding levels.**

The major objective of the Community Development Block Grant (CDBG) Program is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for low and moderate income persons. City departments use the CDBG funds allocated to Chicago to provide a wide range of services and programs.

CDBG monies are the major funding source for the City's Department of Economic Development and Department of Housing. Roughly one-half of the Department of Planning's funding comes from the CDBG program. These Departments are able to provide a wide range of programs and services to the community because of the CDBG program.

1) Economic Development Programs

CDBG funding is the mainstay of the Department of Economic Development, providing 87 percent of the Department's budget. Thus, virtually all the Department's services and its work with delegate agencies rely on CDBG funds.

The Department of Economic Development's primary responsibility is to promote job growth and retention in Chicago and support business development. The Department provides a range of services and programs that are funded through the CDBG program. In 1985, these programs helped to create or retain 7,500 jobs.

Technical Assistance to Business Organizations provides one-stop service to assist firms by cutting through red tape, delivers industrial retention services, and organizes almost 100 delegate agencies to carry out local economic development plans.

Financial Services include a variety of below market-rate and federally guaranteed loans to provide financing for start-up, improvements and expansions of Chicago businesses. Some examples are:

15 companies obtained land cost write downs to purchase property in the City.

25 medium-to-large industrial and commercial businesses obtained $77 million in Industrial Revenue Bonds.

20 companies expanded their facilities by financing through the Illinois Fixed Rate Program.

20 businesses received fixed-asset financing and working capital through the Business Development Loan Program.

30 small businesses were assisted through Direct Micro-Loans.

Capital Improvements have occurred in commercial and industrial areas, specifically through the Industrial Street Program, Viaduct and Signalization Program, Industrial Retention Program, Commercial District Program, and Facade Rebate Program.

Research and Development projects include the Task Force on Steel and Southeast Chicago; a study of venture capital financing options; updating the City's overall economic development plan, etc.

2) Housing Programs

CDBG funds provide 77 percent of the direct funding for the Department of Housing. The Department's major rehabilitation programs, through which over 8,600 housing units were rehabbed in 1985, rely on CDBG funding. 93 percent of the units rehabilitated are targeted to low and moderate income residents. The Chicago Housing Partnership is a joint venture with local lenders that supports not-for-profit housing development organizations. The Emergency Housing Assistance Program provides financing to eliminate health and safety hazards in single and multi-family buildings. In 1985, $2 million funded repairs on 826 units. The Housing Abandonment Prevention Program works to save multi-family buildings from abandonment. The program affected 1,147 dwelling units in 1985. One of the Department's most popular new programs is the Housing Facade Program which helps to improve the appearance of entire city blocks by providing grants to homeowners for minor exterior improvements. During the initial round of funding, grants totalling $1 million helped improve 1,404 buildings.

Small-scale for-profit developers can be assisted by the Multi Program so that they can rehabilitate buildings that then provide for affordable housing. In 1985, 1,371 units were rehabbed. $16.7 million in city funds leveraged $22 million in private funds and $4 million in owners' contributions. Additional shelters for the homeless are rehabilitated through the Homeless Shelter Rehabilitation Program. In 1985, funding totalled $1,562,000, which rehabbed 18 shelters, providing a total of 1,144 new or rehabbed beds.

The Department of Housing's major development program, The Urban Renewal Program, strives to revitalize Chicago's communities by working with developers, residents and organizations to redevelop five Conservation Areas and some 30 Redevelopment Project Areas.

CDBG funding is also essential to maintaining the Department's Community Service Division. This division provides fair housing counseling, pre-purchase and general housing counseling, mediation in tenant/landlord disputes, oversight of contract compliance (e.g. Minority and Women Business Enterprises) in the Department, and relocation services for residents displaced by a public policy action. Additionally, the Community Services Division also runs the Senior/Handicapped Home Maintenance Program which subcontracts with community organizations to make minor adjustments to homes of senior/handicapped individuals. Approximately 300 units were improved in 1985.

The Community Services Division also provides financial and technical assistance to more than 50 delegate agencies responsible for building and rehabilitating neighborhood housing and providing housing counseling and other support services.

The combined effect of all City of Chicago housing programs since 1983 has been to reverse the previous long-term trend that saw the ten-year loss of 60,000 housing units. Since 1983, over 18,000 liveable units have been added to Chicago's housing stock.

3) Planning Programs

The Department of Planning uses CDBG funds for personnel and administrative costs for priority programs. The North Loop Revitalization Program is one of the largest urban redevelopment projects in the nation. Accomplishments to date include saving and beginning restoration on the historic Chicago Theatre. The General Neighborhood Revitalization Program provides assistance to neighborhood groups and community-based organizations in creating neighborhood development plans and investment strategies. Developing a computerized data base on the condition of each component of the City's infrastructure is the goal of the City-Wide Infrastructure Investment and Management Program. The Energy Conservation Program explores ways to make public buildings more efficient and works to develop programs that provide energy conservation information and technical assistance to low-income homeowners (e.g. community-based organizations learn to teach ways to retrofit older homes to conserve energy).

4) Other City Programs

Many other City departments use CDBG funding to maintain important programs and services.

CDBG provides 20 percent of the budget of the Department of Human Services. The Department uses these funds, in conjunction with Community Service Block Grant Funds (50/50 match), to maintain its Community Service Centers. Nine major offices and eight outpost offices provide a full range of social services, including emergency food, energy assistance and counseling referral. CDBG monies also fund the Department's Emergency Services Program, which is available at all times to provide a range of emergency assistance to individuals, families and youth. Finally, the Department passes CDBG funds through to not-for-profit social service agencies to provide family and youth services.

The Mayor's Office of Employment and Training uses CDBG funds for the Substantial Rehabilitation Program. Through 30 delegate agencies, individuals receive apprentice level training in construction, so that they can then rehabilitate neighborhood housing. This training is recognized by trade unions. This program contributes to the conservation of basically sound housing stock in Chicago's inner-city neighborhoods that might otherwise be neglected because it would not be profitable for private contractors to rehabilitate. Also, the rehabilitated housing generates increased property tax revenues.

AVAILABLE

In the Department of Aging and Disability, CDBG monies are the major source of funds for the Department's programs for the non-elderly disabled. Through delegate agencies, the Department provides the following services for the non-elderly disabled:

- Homemaker Service, which provides in-home care and assistance in areas such as household management, shopping, preparing and eating meals, and personal hygiene.

- Case Management, which coordinates social services needs.

The Department's staff maintains the Information and Referral Service to answer citizen inquiries and direct them to the appropriate resources. They also provide a Message Relay Service for the deaf. The Disabled Advocacy Service Unit provides a link to the community that promotes group advocacy to increase access to services. Their activities include workshops on employment.

One-third of the Department of Health's budget is funded through the CDBG program. The funds are used to support Family Planning and Basic Health Services in the Department's neighborhood clinics.

The Chicago Police Department uses CDBG funds to support the Beat Representatives Program and the Chicago Housing Authority (CHA) Special Employment Program. The Beat Representative Program provides education and training for concerned citizens in crime prevention techniques. The CHA Special Employment Program provides increased police patrol of CHA public housing complexes in an effort to reduce criminal activity.

The Chicago Fire Department uses CDBG funds to support the FACT (First Aid Care Team) program. The FACT program trains unemployed CHA tenants to be certified as Emergency Medical Technicians. The tenants are then employed to staff two first aid stations in the Taylor Homes Development, and they also respond to all ambulance requests in the development, many times rendering aid which dramatically reduces the amount of time the paramedic ambulance spends on the assignment.

CDBG funds are used by the Department of Consumer Services to maintain the Credit Counseling Center and the Business License Assistance Program. The Consumer Services Center provides financial planning services for City residents, facilitates greater consumer awareness of costs of banking services, and presents workshops on eviction/foreclosure prevention. The Business License Assistance Program works to increase the success rate of small business licensing and to promote awareness of this program in the small business community.

The City's Department of Inspectional Services uses CDBG funds for two programs: The Community Development Inspection Program, which provides building code inspections in low- and moderate-income areas, provides technical assistance, and conducts local compliance board hearings; and The Demolition of Hazardous Buildings Program, which demolishes hazardous buildings in low- and moderate-income areas. CDBG funds maintain forty percent of the City's demolition program.

The Department of Public Works uses CDBG funds to assist in carrying out capital programs such as Model Blocks, Branch Library Renovation, and the Vaulted Sidewalk Program.

Approximately 8.3 percent of the Department of Streets and Sanitation budget is funded by the CDBG program. This funding supports the following Department programs: Special Environmental Services, Summer Youth Clean-Up and Employment, Rodent Control Attack Force, and Special Forestry Services.

CDBG provides twenty-eight percent of the Department of Cultural Affairs' budget. This Department promotes the arts as an important element of City life. Artists and the works they create contribute to the economy of the City, as well as promoting tourism in Chicago.

CDBG funds the City Arts I and II Program which contributes to neighborhood arts programs and artist-in-residence projects. This support lends an institutional presence to local artists.

C. ECONOMIC DEVELOPMENT GRANTS

Legislative Recommendations

- **Retain the Urban Development Action Grant (UDAG) Program.**
- **Retain the Economic Development Administration.**
- **Retain the Small Business Administration.**

1. Urban Development Grants

The Urban Development Action Grant (UDAG) program is designed to encourage new or increased private investment in urban areas which are experiencing economic distress. UDAG enables local officials to capitalize on opportunities to stimulate economic development activities through various low-interest financing mechanisms. It is important to note that the majority (over 75 percent) of the financing for UDAG projects must come from private investment and, generally, at least one job must be created or retained for every $10,000 of UDAG funds awarded.

Several city departments provide technical assistance to developers in compiling project financing, including UDAG applications.

The Department of Economic Development works mainly with neighborhood business and industrial firms on UDAG projects for activities such as the purchase or rehabilitation of land, buildings, machinery and equipment.

In 1985, the federal government approved $2,304,000 in UDAGs sponsored by Chicago's Department of Economic Development. These UDAGs leveraged an additional $18,802,000 in other funding, and will result in an estimated 861 new permanent or construction jobs.

The Department of Planning concentrates its UDAG efforts in and around the City's central business district. In 1985, their UDAG's totaled $4,748,000 and leveraged an additional $35,997,000. Estimated new permanent or construction jobs is 1,627.

The Department of Housing works with residential developers to secure UDAG funding for projects that rehabilitate neighborhood housing. The 1985 UDAG award was $2,014,000 which leveraged $24,558,000 in other funds, creating an estimated 438 new permanent or construction jobs and rehabilitation of 291 units.

The Mayor's Office of Employment and Training monitors the effectiveness of the UDAG program in creating new jobs in Chicago. It is also a source of employee referrals for the new jobs created through UDAG financing.

2) Economic Development Administration and Small Business Administration

The U.S. Economic Development Administration (EDA) provides federal funds to cities for economic planning and for projects that improve an industrial or commercial area in order to maintain or expand a city business and retain job opportunities in the City.

The U.S. Small Business Administration (SBA) guarantees private sector loans to start up and expand small businesses that might otherwise not be able to survive with conventional financing. Thus, the small firms that are the backbone of an urban economy have a chance to compete on a more equal basis with larger, established businesses.

The City's Department of Economic Development receives EDA planning funds in conjunction with other funds to administer the Department's services to business. EDA funds are also used for specific economic development projects such as starting up industrial incubators.

The Department of Economic Development assists small businesses in applying for SBA loans and provides technical assistance to enable the small business to make the most of their financing.

D. HOUSING PROGRAMS

Legislative Recommendations

- Oppose the termination of Section 312 Rehabilitation Loans.
- Oppose the Administration's proposal to reduce 1986 loan limitations under Section 312 Rehabilitation Loan Programs.
- Oppose termination of funding for Rental Housing Development Grants (HoDAG).
- Oppose the Administration's efforts to eliminate the Rental Rehabilitation Grants Program.
- Oppose the Administration's FY87 budget proposal to terminate the Weatherization Program and support the FY85 funding level for Weatherization.
- Support continuance of funding for public housing authorities at or above 1985 levels, both as subsidy to the operating budgets and for Modernization, Development, and Section 8 programs.

The following federal programs are administered in Chicago by the City's Department of Housing. The U.S. Department of Housing and Urban Development (HUD) provides the funding for these programs, except for Weatherization, which is funded through the U.S. Department of Energy.

1) Rental Housing Development Grants (HoDAG)

The HoDAG Program allows the City to provide grants, loans, and interest reduction payments to support new construction or substantial rehabilitation of rental housing.

From 1984 to 1985, HoDAGs awarded to Chicago totalled $14,219,000, which leveraged $46,681,000 in other funds. These will yield approximately 579 new or rehabilitated housing units, through loans or interest reduction payments.

2) Rehabilitation Loans (Section 312)

Rehabilitation Loans (Section 312) Program provides loans to rehabilitate single family and multi-family residential properties and non-residential properties.

In 1985, 119 units were funded with $2.46 million.

3) Rental Rehabilitation Grant Program (RRGP)

The Rental Rehabilitation Grant Program (RRGP) provides grants for rehabilitation of rental property to increase the supply of standard affordable housing for lower income tenants.

This program helps leverage private capital to rehabilitate rental properties in Chicago.

The Department of Housing received $10 million through RRPG in 1985. This was combined with Community Development Block Grant funds to establish the MULTI Program, which rehabilitated 1,371 units in 1985.

4) Weatherization

The Weatherization Program allows the City of Chicago to provide approximately 6,000 weatherization grants ($10.5 million) to low-income elderly homeowners and tenants.

5) Public Housing - Chicago Housing Authority

The Chicago Housing Authority operating budget is 67 percent funded by HUD, the remainder coming from rentals and interest income. The 1985 HUD subsidy was $103,089,348. The Reagan Administration has proposed cutting this subsidy 4.3 percent in 1986 and 25 percent in 1987. Without this subsidy, the CHA would not be able to provide housing to 150,000 low-income residents of Chicago. The CHA currently has a waiting list consisting of 22,000 applications from families and senior citizens.

In addition, the CHA receives HUD funding through the Modernization, Development and Section 8 programs.

The Modernization Program ($14,032,910 received in 1985) makes it possible for the CHA to maintain elevators, repair boilers and roofs, and do other major maintenance necessary to keep any property in working condition, particularly as the buildings become older.

The Development Program ($20,109,312 received in 1985) allows the CHA to expand its housing stock by acquiring new or rehabilitated buildings.

Through the Section 8 Program ($51,957,575 received in 1985), tenants are provided a certification that they can use as rent subsidies in private housing.

E. TRANSPORTATION AND PUBLIC WORKS

Legislative Recommendations

- Seek adequate appropriation earmarks for the Interstate Transfer Transit Program to keep all projects on schedule.

- Seek some form of cost escalation or one-time catch-up for eroding purchasing power in the Interstate Transfer Transit Program.

- Support freeze levels for the mass transit funding program, including both capital and operating assistance.

- Reauthorize the Surface Transportation Act which continues the current program structure and adds various modifications of importance to Chicago.

- Support the establishment of a dedicated funding source for transit, thereby removing transit from general revenue support (e.g. add an additional gas tax).

- Support freeze levels in the Airport Improvement Program.

- Support the orderly transfer of Conrail to the private sector, provided the sale balances the need for continued Conrail profitability with the need to competitively serve the shipping public.

- Support H.R. 1776, which calls for the establishment of a National Infrastructure Fund, that would provide no interest loans for state and local infrastructure projects.

The U.S. Department of Transportation (DOT) is responsible for maintaining the nation's transportation network including transit systems, highways, and air traffic. Through the Urban Mass Transportation Administration (UMTA), the Federal Highway Administration (FHWA) and the Federal Aviation Administration (FAA), DOT provides funding.

1) Transit and Highway Programs

The City's Department of Public Works is responsible for all public places, property and buildings belonging to the City. This includes transportation planning, programming and implementation of the City's Transit Capital Program and highway programs.

The Interstate Transfer Transit Program, funded by UMTA, is the major source of funding used by the Department of Public Works to carry out the City's transit capital program. This program includes several rehabilitation projects: Loop Elevated Rehabilitation, Subway Renovation, and Jackson Park Rehabilitation. Also, the Howard/Dan Ryan Through Route and Capacity Improvement is funded through Interstate Transfer funds. Finally, the Southwest Rapid Transit project is the major project which will create a new rapid transit line from Midway Airport to the downtown area.

The Interstate Transfer Highway Program and Federal Aid Urban Systems Program (FAUS), funded through the Federal Highway Trust Fund (FHWA), provide federal monies for a range of City highway projects, including street resurfacing/reconstruction, traffic signal modernization, intersection improvements, bridge rehabilitation/reconstruction, viaduct clearance improvements, and intermittent resurfacing.

2) Chicago Transit Authority

The Chicago Transit Authority (CTA) is the operator of the transit system in the City of Chicago; this includes the bus system, the rapid transit system, and a paratransit service for the elderly and handicapped.

The CTA serves approximately 2.1 million riders per day. The rapid transit system runs on 246 miles of track with 143 stations. The system also operates 132 bus routes that run 1,878 buses on city streets during peak periods.

Approximately 80 percent of the CTA's capital budget is federally funded. Capital funding from UMTA is used by the CTA for activities such as rehabilitation and construction of transit facilities, and bus and transit car purchases.

Operating funds from UMTA are used principally for maintaining capital equipment such as buses and rail equipment.

AVAILABLE

3) Aviation

The City's Department of Aviation is charged with maintaining and operating the City's airports.

The Airport Improvement Program, funded through the FAA Airport and Airway Trust Fund, provides funding for improvements at O'Hare and Midway airports.

4) Conrail

The Northeast Rail Services Act of 1981 (NERSA) provided that the government-owned Consolidated Rail Corporation be sold to the private sector. Conrail has been able to operate at a profit for the past four years, and thereby no longer requires federal subsidy. This paves the way for the preservation of the railroad and its orderly transfer to the private sector.

Before the Senate passed S. 638, which provides for the sale of Conrail to Norfolk Southern on February 4, 1986, there were two options being discussed. The first was the Department of Transportation's proposal that Conrail be sold to the Norfolk Southern Corporation. The second involved a common stock offering proposal by Conrail management and Morgan Stanley and Company. The legislation now proceeds to the House for consideration.

Chicago is currently the western terminus for the Conrail System. Therefore, the City is concerned that the railroad maintain viable and competitive facilities in Chicago as well as along the Northeastern corridor of the country.

5) Infrastructure

The infrastructure encompasses many public facilities including subway tunnels, sewer and water pipes, roads and bridges. Infrastructure is basic to the quality of life and economic development of the City in both our residential and business communities.

The repair, modernization and maintenance of our infrastructure has become one of the most critical urban problems. The problem is becoming more acute as municipal budgets become strained with costs going up and some prime budgetary resources either remaining the same or decreasing.

Following are just a few examples of the gap between the need to rehabilitate the City's infrastructure and the ability to fund the endeavors:

Chicago's sewer system is comprised of 4,300 miles of main sewers, one of the largest sewer utility systems in the world. Since 1980, they have been maintained on a replacement cycle of 450 years with a $7 million annual investment. This compares to an estimated sewer life expectancy of 75 to 100 years. With the 1985 General Obligation Bond, the replacement cycle is cut to 200 years for just this one year. In order to avoid major repair problems, city residential streets should be paved every 25 years. We are currently performing this function on a 140-year cycle.

In addition to these facilities, which are common to all mature cities, Chicago has other needs which are unique. One of our most vexing problems is the network of 1,000 blocks of vaulted sidewalks, many hazardously deteriorated. Estimated replacement cost for these is $400,000 per block. That comes to a $400 million need for which there is no identified funding source.

WPA streets, built in the 1930's without curbs, gutters, or drainage structures, are another dilemma for Chicago. Even with private participation and the City's commitment of $22 million from our bond issue, there will be literally thousands of unimproved blocks remaining.

F. HEALTH AND HUMAN SERVICES

Legislative Recommendations

- Support legislative efforts to change state grant allocation formulas to target high risk participants in the Women, Infants and Children (WIC) Program.

- Support targeting of the discretionary grant program to those in greatest need of the WIC program.

- Support an increase in the authorization ceilings for WIC with no additional administrative burdens on health care providers.

- Support efforts to remove current 15 percent limitation use of energy assistance block grant funds for weatherization.

- Support the National Health Planning and Resource Act (S. 1855) which endorses the reauthorization of the Health Planning Program.

- Support HR 4421 which reauthorizes Head Start, Dependent Care, the Community Service Block Grant, and the Community Food and Nutrition Programs, and HR 4422 which reauthorizes Low-Income Energy Assistance.

- Support the reauthorization of Title XIX of the Public Health Service Act that provides grants for services and research relating to adolescent sexual relations and pregnancy.

- Support the reauthorization of Title X of the Public Health Service Act that makes grants to family planning clinics for the provision of health and medical services to low-income women and teenagers.

- Support increased funds to states for immunizations and vaccine stockpiling.

- Support the reauthorization of the Preventive Health Services Block Grant.

- Support AIDS legislation that provides funds for research, treatment, hospital/hospice/ out-patient care, psychosocial support systems, and extended testing and counseling.

- Support increased AIDS funds for a massive risk reduction and public health education program.

1) Social Service Block Grant

The Social Service Block Grant funded through the U.S. Department of Health and Human Services, is primarily used for day care, protective services for adults and children, and employment services; a small amount funds private non-profit agencies that provide educational and vocational services for ex-offenders and school drop-outs.

Social Service Block Grant funds make up 15 percent of the budget of Chicago's Department of Human Services and are used for the following five Title XX programs:

- Day Care: 139 day care and after-school care centers provide child development and child care for 6,612 children of parents employed or in training.
- Safer-Challenge: provides substance abuse treatment services, emergency service referrals (food, housing, clothing, meals, etc.) and follow-up to 808 youths.
- Safer-Cabrini Green Employment Program: provides pre-employment screening and evaluation to 164 youth ex-offenders, as well as specialized job search, placement and follow-up services.
- Safer-Dare: provides pre-employment and direct employment services to approximately 837 youth who have been involved in the criminal justice system.
- Alternative Schools: provides 500 high school drop-outs with basic academic and social skills they will need to become productive adults.

2) Community Services Block Grant

The Community Services Block Grant (CSBG), from the U.S. Department of Health and Human Services, provides substantial support for the City's Community Service Network through grants to the State of Illinois. This network supplies a wide range of human services, some on a 24-hour emergency basis, to families, youth and children.

CSBG funds 41.5 percent of the cost of operating nine community service centers and eight neighborhood outposts maintained by Chicago's Department of Human Services. These facilities are visited annually by 720,000 clients who receive information, referrals, counseling or direct benefits such as emergency food and energy assistance from Department staff.

AVAILABLE

Under this block grant, 19 Chicago Intervention Network delegate agencies provide services to 5,700 clients annually in order to reduce gang activities. Nineteen additional delegate agencies provide youth and family services to 9,500 persons annually.

3) Older American Programs

The Older Americans Act, which is administered by the U.S. Department of Health and Human Services, provides the bulk of its funding to the states by formula based on the number of older persons who are 60 years of age or above. The state passes the funds through to Area Agencies on Aging designated for established planning and service areas. The City's Department on Aging and Disability is the designated Area Agency on Aging for the planning and service area of Chicago. The Act mandates that recipients (state and local) provide a comprehensive and coordinated system to plan, monitor and network service delivery to the elderly. It ensures access to support services which include congregate dining/nutrition, and such social services as chore/housekeeping, transportation, information and referral and advocacy.

Older Americans Act (OAA) funds make up 53 percent of the total funding for the Department of Aging and Disability and provide services essential to maintain the independence and wellness of the elderly and disabled within their communities, eliminating the need for costly institutionalization.

The Department provides funding for the following programs:

- Housekeeping (In-Home Service): provides services for over 1,000 homebound elderly.
- Home Delivered Meals: provides nutrition to 2,300 homebound elderly.
- Congregate Dining: serves 24,000 elderly.
- Counseling: addresses the needs of 1,000 elderly.
- Transportation: provides services for 1,500 frail elderly with chronic illnesses and for disabled persons who require medical trips.
- Legal Services: provides equal access and protection under the law to persons on fixed incomes who cannot afford legal representation.

Under Title V, the City administers a Community Service Employment Program which promotes part-time public service and private sector employment opportunities for low income persons age 55 and over.

4) Health Programs

There are three federal health block grants in which Chicago receives funding. These grants provide 31 percent of Chicago's Department of Health budget.

a) Maternal and Child Health (MCH) Block Grant provides a source of financial aid to target a broad range of health services for maintaining and improving the health of mothers and children. The program serves approximately 50,000 mothers and children.

b) Preventive Health Services Block Grant provides funding for preventive health care services. Approximately 526,000 individuals are served through Hypertension, Immunization, Tuberculosis and Sexually Transmitted Disease Programs.

c) Alcohol, Drug Abuse and Mental Health Block Grant provides funds to support alcohol, drug abuse and mental health prevention, treatment and rehabilitation services.

The Chicago Department of Health also operates an alcoholism rehabilitation facility at its Chicago Alcoholic Treatment Center (CATC) for approximately 40 percent of the City's 200,000 alcoholics who lack medical coverage to gain access to the private sector.

5) Health Planning

Health planning funding provides federal support for state and local health planning activities.

The Chicago Health Systems Agency (CHSA) administers health planning for the City of Chicago. Federal health planning assistance makes up 95 percent of the agency's budget. The CHSA provides health planning for the City of Chicago, facilitating community input for the design and evaluation of health care services. The agency also advocates for adequate health care for Chicago's medically indigent.

Change is occurring in the United States' health care delivery system at an ever-increasing rate, making comprehensive health planning more important than ever. Disjointed federal policy and changes in the private health care sector have created confusion among consumers. There exists a clear-cut need for ongoing assessment of the impact of changes on the consumer and the health care system.

The CHSA has documented that its planning has saved over $100 million for the local health care system, nearly ten times the amount of tax dollars that the agency has received throughout its existence.

Health planning, the only mechanism through which our communities have input into the design of their health care delivery system, is essential.

6) Women, Infants and Children (WIC) Program

WIC, as administered by the U.S. Department of Labor, provides monthly food supplements to low-income women, infants and children who are determined to be at nutritional risk.

Through WIC, the Chicago Department of Health serves 35,000 clients (41 percent of the eligible WIC population). WIC funding to Chicago is allocated through the State of Illinois and makes up 5 percent of the Department's budget for nutritional programs for mothers, infants and children.

7) Head Start Program

The Head Start Program, under the U.S. Department of Health and Human Services, provides comprehensive support services and early childhood development for poor children up to age five. In 1987, emphasis will be placed on special services to handicapped children and improving parenting skills.

The Department of Human Services administers the local Head Start Program for the City of Chicago. Head Start allocations to Chicago make up 28 percent of the Department's budget for early childhood development. Under this federal program, the City is able to fund 38 agencies with 230 program sites that provide child development and care service to 12,202 low-income children.

8) Home Energy Assistance Programs

Low-Income Home Energy Assistance, funded through the U.S. Department of Health and Human Services, provides financial assistance to pay the fuel bills of low-income families.

With this program, the Chicago Department of Human Services makes direct cash payments to eligible families, fuel vendors, and energy suppliers, serving approximately 100,000 individuals and families.

G. EMPLOYMENT AND TRAINING

Legislative Recommendations

- Support legislative efforts to restore 1985 service level funding in the Job Training Partnership Act (JTPA) Title II-A (Employment and Training for Economically Disadvantaged Youth and Adults), Title II-B (Summer Youth Employment and Training Program) and Title III (Dislocated Workers Program).
- Support legislative changes targeting Summer Youth funds to areas with the most severe youth unemployment problems.

The Job Training Partnership Act (JTPA), administered by the U.S. Department of Labor, provides funding to Chicago through the State to ensure that employment and training activities/services are afforded to its economically disadvantaged and unemployed population.

The Mayor's Office of Employment and Training (MET), which administers the JTPA program in Chicago, receives 96.3 percent of its funding for operation and programming from JTPA and 3.7 percent from CDBG.

At least 85 percent of JTPA and CDBG funds received by MET are targeted to neighborhood-based non-profit training institutions and educational agencies which have demonstrated effectiveness in operating employment and training programs.

There are three major employment and training programs funded through JTPA.

1) Economically Disadvantaged Youth and Adults, JTPA Title II-A, serves the economically disadvantaged in the City through a variety of employment and training activities.

A $3 million cut will result in loss of training and potential employment for 2,000 individuals who are in most need of training and job search assistance. The loss of funding to the training organizations will also impact negatively on the local economies of the disadvantaged neighborhoods in which they are located.

AVAILABLE

2) Summer Youth Employment and Training, JTPA Title II-B (SYETP), provides employment to economically disadvantaged youth during the summer months.

A proposed 50 percent reduction in the PY87 Summer Youth Program will force the City to cease funding approximately 150 community-based organizations that provide summer job placements to about 17,000 economically disadvantaged youth (ages 14-21). Summer employment and training programs which produce meaningful job situations to acquire some job skills, some remedial education and positive experiences to encourage young people to stay in school and complete their education are essential catalysts which transform disadvantaged youth's expectations of their future. These programs also act as alternatives to reduce crime and gang activity in the summer.

3) Dislocated Workers Program, JTPA Title III, serves workers affected by massive lay-offs and plant closings by providing unsubsidized placement, job search workshops and direct placement with on-the-job training (OJT) goals.

H. CHICAGO PUBLIC LIBRARY/CHICAGO LIBRARY SYSTEM

Legislative Recommendations

- **Seek full funding for all titles of the Library Services and Construction Act.**

The Chicago Public Library/Chicago Library System (CPL/CLS) receives federal funding under the Library Services and Construction Act - Title I (Public Library Development), Title II (Public Library Construction), and Title III (InterLibrary Cooperation). These grants are administered by the Illinois State Library and are made available as reimbursements for approved projects which the Library applies for by submitting project proposals. For FY86 CPL/CLS received $433,000 through the Library Services and Construction Acts; for FY87 CPL/CLS has submitted proposals totalling $633,000 in Library Services and Construction Act funding.

The CPL/CLS uses these federal funds for projects including a computerized circulation system, branch library construction and renovation, and development of specialized library collections.

The Chicago Public Library/Chicago Library System further benefits from Title III funds used by the Illinois State Library for the Illinois Library Delivery Service (ILDS) and for ILLINET telecommunications.

I. IMMIGRATION AND REFUGEE POLICY

Legislative Recommendations

- Support an immigration legalization program with the following conditions:
    - oppose employer sanction provisions;
    - oppose an expanded "Guest Worker" (H-2) program;
    - support language for reimbursement of all costs to state and local governments incurred as a result of legalization;
    - support amendments to protect against ALIENAGE discrimination (e.g. discrimination on the basis of immigration status).
- Support funding levels for the Refugee Cash and Medical Assistance Act and social services at FY85 levels.
- Support Targeted Assistance Grants to areas with high concentration of refugees at a level consistent with current need.

The City of Chicago has ongoing concerns about federal policies and practices in the area of immigration and refugee programs. The settlement of immigrants and refugees is clearly a responsibility of the federal government. The Commission on Human Relations estimates that at any one time, 275,000 to 400,000 undocumented individuals and 45,000 refugees reside in Chicago. The City believes that the federal government must reimburse local governments for any costs incurred for immigration, refugee resettlement, and legalization programs. Every effort must be made to ensure that the responsibility for refugee and immigration matters, with the associated costs, does not fall to cities by default or, as in the case of pending immigration reform legislation, by design.

J. CULTURAL AFFAIRS

Legislative Recommendations

- Support efforts to maintain National Endowment for the Arts funding at FY86 levels.

The Reagan Administration's budget request for the National Endowment for the Arts (NEA) for fiscal year 1987 is $144.9 million, including $117.9 million for grants and administration and $27 million in matching (indefinite) funds. The 1987 budget request reflects a $20 million, $18.5 million, and a $2.2 million reduction respectfully in each of the areas from 1986. The Arts Endowment directly supports artist and arts organizations through 67 funding categories in 18 programs.

The City's Department of Cultural Affairs, which encompasses the Mayor's Office of Special Events, the Fine Arts Office, and Film and Entertainment, supports the arts by issuing grants to institutions and artists, lending assistance to neighborhood development projects, providing technical assistance to artists and communities, and in the presentation of events. In 1985, the Department received a grant from NEA of $245,000 for long-range cultural planning activities.

AVAILABLE

K. TAX REFORM

Legislative Recommendations

- The use of tax-exempt financing is an integral part of economic development and job creation. Elimination of tax-exempt financing would be a critical blow to economic development in this country. The one percent limitation proposed by the Reagan Administration should be rejected.

- State and local taxes should remain as deductions from federal income taxes. We propose alternate revenue measures to offset this loss of federal revenue.

- Tax-exempt financing has become a vital component of economic development. We recommend that tax-exempt financing of private activity be coupled with public purpose objectives.

- The tax reform plan must be fair. We see critical inequities for the low income families ($15,000 and under) and simply serious inequities for middle income families ($30,000 and under). At $75,000 and over, the new "tax reform" proposals provide increasingly beneficial provisions. Accordingly, the new proposals do not meet our fairness standard. In the section dealing with alternate revenue proposals, we suggest steps to make the proposals more equitable.

- The Reagan Administration proposals would lead to increased costs for local government. The proposals presented in the City of Chicago's Urban Agenda for Tax Reform would contain the costs.

- Retain a modified system of preservation and rehabilitation housing incentives.

- Proposals to tax fringe benefits should be eliminated.

- Preserve tax credits for low and middle income housing if the projects meet certain narrow, carefully defined criteria.

- Certain cash management techniques should be permitted to continue. These techniques have netted Chicago over $29 million in the past year.

- Certain public-private partnerships such as the O'Hare expansion and waste management must go forward in any event. They must be exempted from caps and tax-exempt limitations.

The City of Chicago, in its Urban Agenda for Tax Reform, supported certain principles with respect to fair and acceptable tax proposals. The following is an assessment of the City's views and recommendations on tax reform.

1. Tax-Exempt Bonds

The City of Chicago has a $3 billion tax-exempt bonding program covering aviation, housing, economic development, waste disposal and other public purpose activities. Certain of these bonds are at risk because of the private purpose limitations that have been proposed. An economic model has been constructed to illustrate the beneficial economic development impact of the bond program. Consequently, at risk because of the limitations are:

- 35,000 jobs
- $2 billion gross local economic output
- $0.7 billion in wages

The above analysis is based on a 10 percent private activity limitation; a 5 percent limit would yield much higher results. Retention of the per capita limits on tax-exempt bond issuance would severely limit economic development and the creation of jobs. In the housing area alone, the city stands to lose one-half of its projected needs because of the cap.

This will mean that several thousand housing units will not be built, constructions jobs and secondary employment will not be created, and the local economy will not benefit from such stimulus.

Without the tax-exempt bonds, cities will have to:

- make greater use of general obligation bonds, increasing financial pressure on the overburdened real estate property taxpayers;

- cut back on the size of developments to make them more affordable;

- eliminate projects entirely; and
- increase state and local taxes to meet local public purpose needs eliminated by loss of tax-exempt financing. Some of the increase in local taxes, caused by elimination of tax-exempts, would have to be borne by local taxpayers unable to deduct local taxes from their income taxes.

The resulting increases in unemployment and taxes simply lead to a greater gap between the "haves" and the "have nots" and a weakening of the social fabric.

2. Tax Rates

We believe that the lowering of tax rates will significantly constrain the tax-exempt bond market, thereby achieving one of the objectives of the Reagan Administration's tax reform program. Available capital will shift to investment alternatives which generate more federal revenue.

To further restrict the tax-exempt market by eliminating institutional deductibility of carrying costs would force local government interest rates to rise even more in order to be competitive in the capital market. This additional cost would be borne by the local taxpayer, who could no longer deduct it from federal income taxes.

The City of Chicago continues to believe that fairness in the distribution of tax burden should be a guiding principle. The Senate Finance Committee proposals drastically reduce the corporate and high-income individual tax rates. This is neither fiscally-responsible nor fair.

It is recommended that a fourth tax rate (40 percent) be added for high-income individuals and that the Corporate rate be lowered only to this same level.

3. Management Practices

Administration proposals would take away many prudent financial management techniques from the cities, although they are employed regularly in the private sector.

- Elimination of these management tools would have cost Chicago taxpayers the $17 million recently saved in refinancing a bond issue; and
- Chicago taxpayers would lose $10 million in arbitrage income annually because the investment of idle bond funds would be restricted.

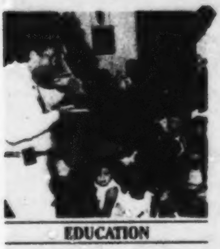
At a time when local governments are attempting to better serve their citizens (in the face of federal cutbacks), and at a time when many seem to be turning to private sector service delivery as alternatives, why penalize local governments by denying them the tools commonly used by the private sector?

PRESIDENT REAGAN'S PROPOSED 1987 BUDGET IMPACT ON CHICAGO

HEALTH CARE

HOUSING REHABILITATION

TRANSPORTATION



EDUCATION

SUMMER YOUTH EMPLOYMENT

CHILD CARE

COMMUNITY DEVELOPMENT

CITY OF CHICAGO
HAROLD WASHINGTON, MAYOR
OFFICE OF BUDGET AND MANAGEMENT
FEBRUARY 18, 1986

OFFICE OF THE MAYOR
CITY OF CHICAGO

HAROLD WASHINGTON
MAYOR

February, 1986

TO THE CITIZENS OF CHICAGO FROM MAYOR HAROLD WASHINGTON

Dear fellow citizens:

The 1987 federal budget proposed by President Reagan includes drastic cuts in funding to America's cities. In Chicago, these cuts would create a huge $440 million budgetary hole, threatening the City's ability to maintain services, and affecting all citizens, rich and poor, young and old alike.

The President's recommendations, combined with cuts we are facing in 1986, would tear the guts out of local government. We would be left with essential services only: police, fire, sanitation, health and bare social services. Our development agencies -- Housing, Economic Development and Planning -- would face elimination. We would have nothing left with which to build a future for our youth.

The elimination of Revenue Sharing alone, which provided us $67 million in 1985, would mean that a dozen city departments would lose about one-third of their funding -- severely affecting health care, garbage pick-up, emergency services, services to the elderly, and consumer programs.

The one-third cut of $37 million we anticipate in the Community Development Block Grant program will force cuts in literally dozens of programs, including elimination of a major neighborhood health centers, the end to our home-delivered meal program for seniors, cuts in day care centers, food packages, and so on.

We estimate that $100 million in private sector funds and as many as 7,400 jobs will be lost with the elimination of Urban Development Action Grants, which have been creatively used to help businesses grow in Chicago.

Elimination of $47 million in housing funds will devastate our creative housing programs, which are beginning to reverse the decline of Chicago's older housing stock. Elimination of the Rental Rehab program alone will result in the loss of $20 million in private funding and a loss of 550 rehabilitated housing units.

The list goes on and on. The general approach is clear. Between 1981 and 1986, community development funding has dropped 20 percent, while the defense budget has more than doubled. This does not constitute equity.

Less than 10 percent of the federal budget goes to programs assisting low-income people. Yet one-third of the budget cuts come from programs that serve these people. That also is not equity.

In 1977, for every dollar that was committed to defense, twenty-six cents was committed to low-income housing; in 1980, that housing figure dropped to 19 cents; in 1987 it will be less than a penny.

We all recognize the need for a balanced federal budget -- but it must not be balanced on the backs of our urban centers.

In Chicago we have worked hard over the past two and a half years to eliminate our city's budget deficit. We have cut our workforce by one-seventh, or 6,500 employees. We have done our utmost to cut waste and improve services. But we cannot cut much further without damaging the quality of life in Chicago.

The federal funding cuts would not only be hard on Chicago. They would also be unfair. Already Illinois ranks 48th among states in the amount of money returned to our area from tax dollars sent to Washington, D.C. As defense dollars increase and urban programs are cut, the disparity will get even worse.

Chicago and the other great older cities of America have contributed much in history and culture, as well as in federal tax dollars. But the cities cannot continue to give and give and continue to get back less and less in return.

What is at stake here is not just federal programs, but the future of Chicago. It is imperative that those of us who cherish our cities, and value the people that live within them, do everything we can to ensure the survival of our great urban centers.

Harold Washington

Mayor Harold Washington

IMPACT ON CHICAGO OF CURRENTLY PROPOSED CUTS IN FEDERAL PROGRAMS

Federal budget cuts reflected in Reagan's FY 1987 proposal will have a devastating effect on City of Chicago programs. The following tables and graphs detail projected funding losses in Fiscal Years 1986-1989. An analysis of City service impacts resulting from budget reductions is also provided. This impact analysis is based on a "current services" concept for the City of Chicago. The 3.8% inflation rate projected in Reagan's 1987 budget document is applied to the City's 1985 grant level to arrive at funds required to operate programs at current service levels. Of course, this does not account for a necessary increase in services or new program initiatives. FY 1985 was chosen as a base year to illustrate the severe cuts Chicago absorbed in FY 1986. Proposed budget reductions for FY 1987 supersede cuts this year by more than two times and are unacceptable to the City of Chicago.

The amount needed to continue City services at 1985 levels compared to 1986 appropriations show a shortfall of close to $195 million. Estimated shortfalls under Reagan's 1987 budget are approximately $440 million. Potential losses occur in all program areas: Community and Economic Development ($-49.2M); Housing ($-46.7M); Transportation ($-238.8M); Job Training ($-20.1M); Health and Human Services ($-14.4M); and, General Government Functions ($-72.4M).

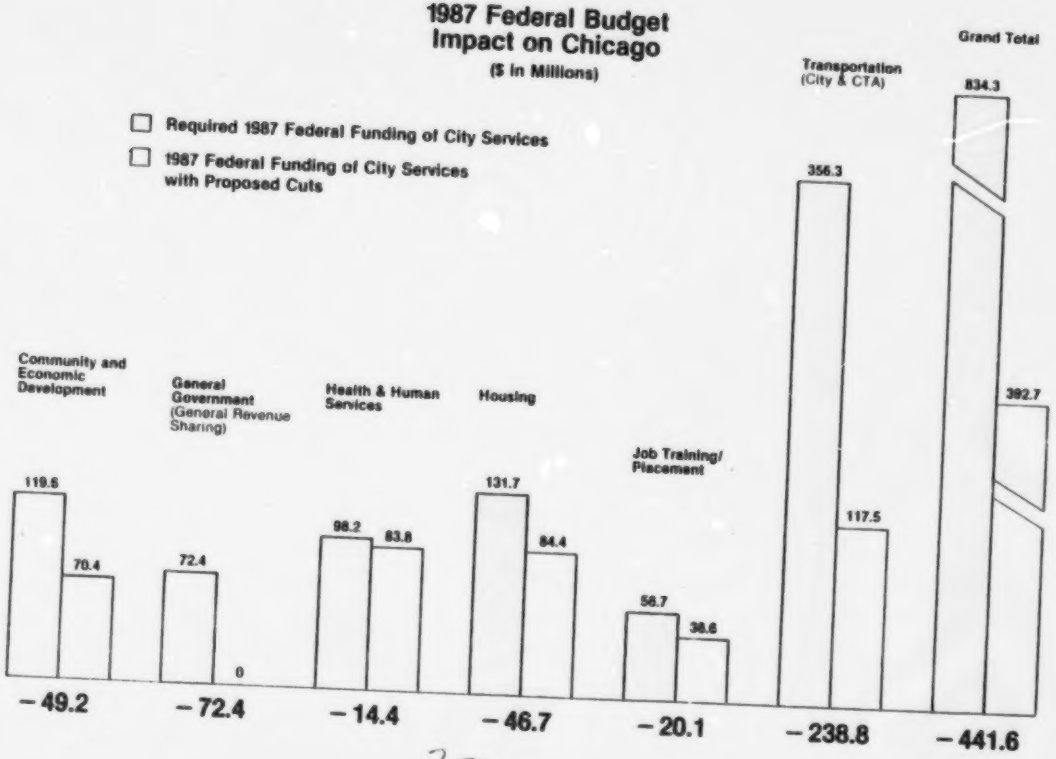
In addition to losses in programs run by the City of Chicago, affiliate agency cuts total $84.9 million. Education in the City will have a projected shortfall of $24.0 million, ranging from cuts in vocational education to student loan programs. Health care to the poor will also be gravely affected next year with adjustments in the medicare and medicaid programs. Cook County hospital alone projects a loss of $7.1 million in benefit reimbursements and various grant programs. Modernization funds for Chicago Housing Authority projects were eliminated this year, impeding Chicago's effort to provide its most needy residents with decent housing.

If this budget is approved by Congress, the City will be forced to eliminate many essential programs and services that will adversely affect the quality of life for Chicago residents. It is essential to the livelihood of our urban centers that these proposed cuts meet strong opposition. The Federal government has a responsibility to continue supporting its cities in areas of greatest need. Cities have given their fair share in the effort to reduce the federal deficit, however, what is asked of us now is no longer fair. Balancing the budget on the backs of the poor can no longer be tolerated. Other alternatives for reducing the deficit must be found so that these proposals are reversed and our programs are restored to necessary funding levels.

Sharon Gist Gilliam
Budget Director
City Of Chicago

PRESIDENT REAGAN'S BUDGET
IMPACT ON CHICAGO
FY 1987
($ in Millions)

	FY 1986	FY 1987
CITY OF CHICAGO PROGRAMS		
Community and Economic Development	$ -39.4	$ -49.2
General Revenue Sharing	-42.1	-72.4
Health and Human Services	-7.4	-14.4
Housing	-28.7	-46.7
Job Training Placement	-13.6	-20.1
Transportation	-63.6	-238.8
TOTAL	$ -194.8	$ -441.6
AFFILIATE CITY AGENCIES		
Chicago Elementary, Secondary Education	$ -8.3	$ -16.9
City Colleges	-.6	-7.1
Cook County Hospital	0	-7.1
Chicago Housing Authority Modernization	-19.0	-34.5
Chicago Park District	+.07	-1.1
Chicago Sanitary District	-2.2	-18.2
TOTAL	$ -30.0	$ -84.9
GRAND TOTAL	$ -224.8	$ -526.5



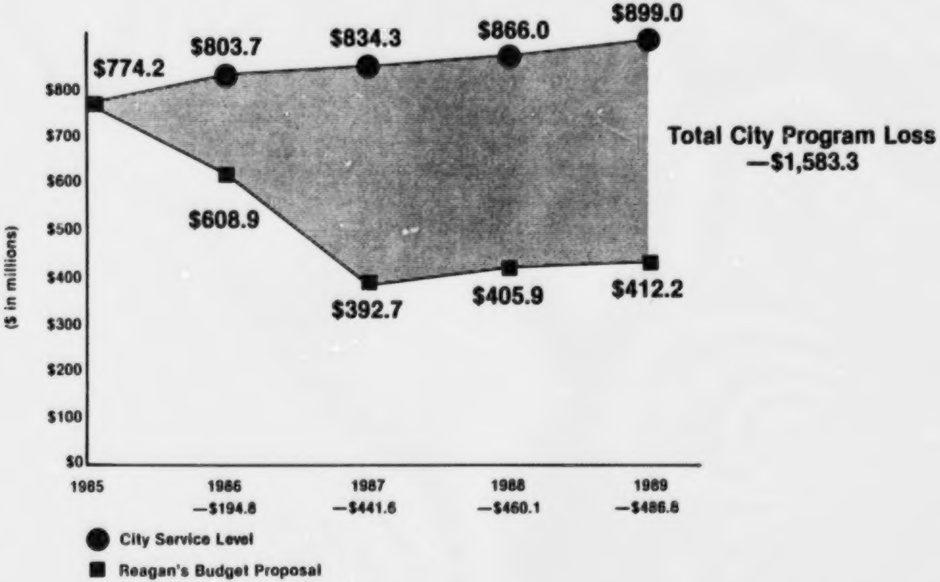
1987 Federal Budget Impact on Chicago

($ in Millions)

IMPACT ON CHICAGO OF CURRENTLY PROPOSED CUTS IN FEDERAL PROGRAMS
DETAIL ($ in millions)

		1985	1986	1987	1988	1989	TOTAL 1986-1989
Community & Economic Development	City Service Level	$ 111.0	$ 115.2	$ 119.6	$ 124.1	$ 128.9	$ 487.8
	Reagan's Proposal	111.0	75.8	70.4	73.5	76.5	296.2
	Difference	$ 0	$ -39.4	$ -49.2	$ -50.6	$ -52.4	$ -191.6
General Revenue Sharing	City Service Level	$ 67.2	$ 69.8	$ 72.4	$ 75.2	$ 78.0	$ 295.4
	Reagan's Proposal	67.2	27.7	0	0	0	27.7
	Difference	$ 0	$ -42.1	$ -72.4	$ -75.2	$ -78.0	$ -267.7
Health & Human Services	City Service Level	$ 91.0	$ 94.5	$ 98.2	$ 101.8	$ 105.7	$ 400.2
	Reagan's Proposal	91.0	87.1	83.8	84.1	84.5	339.5
	Difference	$ 0	$ -7.4	$ -14.4	$ -17.7	$ -21.2	$ -60.7
Housing (Includes CHA Operating)	City Service Level	$ 121.7	$ 126.3	$ 131.1	$ 136.2	$ 141.4	$ 535.0
	Reagan's Proposal	121.7	97.6	84.4	94.2	97.1	373.3
	Difference	$ 0	$ -28.7	$ -46.7	$ -42.0	$ -44.3	$ -161.7
Job Training/Placement	City Service Level	$ 52.6	$ 54.6	$ 56.7	$ 58.8	$ 61.1	$ 231.2
	Reagan's Proposal	52.6	41.0	36.6	36.6	36.6	150.8
	Difference	$ 0	$ -13.6	$ -20.1	$ -22.2	$ -24.5	$ -80.4
Transportation (City & CTA)	City Service Level	$ 330.7	$ 343.3	$ 356.3	$ 369.9	$ 383.9	$ 1,453.4
	Reagan's Proposal	330.0	279.7	117.5	117.5	117.5	632.2
	Difference	$ 0	$ -63.6	$-238.8	$-252.4	$-266.4	$ -821.2
GRAND TOTAL	City Service Level	$ 774.2	$ 803.7	$ 834.3	$ 866.0	$ 899.0	$ 3,403.0
	Reagan's Proposal	774.2	608.9	392.7	405.9	412.2	1,819.7
	Difference	$ 0	$-194.8	$-441.6	$-460.1	$-486.8	$-1,583.3

Loss of Federal Funds
City of Chicago
Total Grants
FY 1985— FY 1989



FISCAL YEAR 1987 IMPACTS ON CHICAGO RESULTING FROM FEDERAL BUDGET CUTS

COMMUNITY AND ECONOMIC DEVELOPMENT

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 119.6	$ 70.4	$ -49.2	-41.1%

COMMUNITY DEVELOPMENT BLOCK GRANT

Community Development Block Grant funds were slashed dramatically last year from budget cuts and a deferral of FY 1986 budget authority to FY 1987 budget outlays. President Reagan proposes to cut the program again this year and modify the statutory distribution between urban and rural areas, significantly reducing funds to the former. Although the deferral of 1986 funds will absorb cuts in 1987, the city will remain 35% below the current program level. Numerous City services will be affected by the reduction in this crucial funding source.

- o Cut the gang abatement program by 50% leaving 1,800 - 2,000 youth without services.
- o Eliminate 10,000 one way medical trips for elderly and non-elderly disabled persons.
- o Eliminate 80,000 home delivered meals to disabled persons.
- o Decrease the number of new or rehabilitated units by 2,000.
- o Threaten the City's commitment with the Peoples Gas Light and Coke Company to fund the Chicago Energy Savers Fund.
- o Lose millions of dollars in private sector leverage funds for the Chicago Housing Partnership and other public/private programs which bank on the availability of CDBG dollars.
- o Prevent the construction of 140 Model Block projects and 310 Sidewalk Ramps.
- o Cancel the entire historic preservation program.
- o Closure of the Uptown Neighborhood Health Center, termination of the Adolescent Substance Abuse Program, and a reduction in Nutrition Counseling Services for maternal patients as well as adults needing therapeutic diets would have devastating affects on the City's health programs:

  - Loss of the Uptown Neighborhood Health Center, the Health departments largest health center would affect 50,000 annual patient visits by predominantly low-income residents who have few other health care alternatives.
  - The Adolescent Substance Abuse Treatment Program is the only inner-city residential treatment program for adolescents in Chicago. Its closure would leave 680 youth without necessary counseling services.
  - A reduction in the Nutrition Counseling program would eliminate services to 2,500 patients annually.

o Approximately 1,000 residents will not receive job training and placement services.

o Community Service Center programs will be cut by 15%, causing two centers to close and ending service to 20% of Chicago's neighborhoods.

o Emergency Service programs will be cut by 25% resulting in 100,000 fewer clients needing information, referral, counseling or direct benefits such as energy assistance and emergency food.

o Mobile emergency service teams will be dispatched on 7,500 fewer cases involving families or persons needing emergency shelter, food or transportation.

o 80,000 fewer emergency family food packages will be available affecting 160,000 persons.

o 42 Title XX Day Care and After-School Care Centers will be closed as a result of losing CDBG matching funds,ending child development and care to 2,050 children, disrupting the employment or training of their low-income parents, and eliminating close to 300 local jobs.

o Force a 50% reduction in planning and technical assistance to neighborhood based groups in the areas of economic development, job development and other direct neighborhood benefits.

o Terminate the Neighborhood Planning Program affecting development activity in eight neighborhoods.

o Eliminate the Neighborhood Energy Conservation Program which has successfully addressed the problem of building deterioration in low/moderate income areas.

o Financial support to 26 neighborhood economic development organizations will be terminated, losing commercial promotion, marketing assistance, planning and technical assistance to these low-moderate income commercial areas.

o Cancellation of several industrial area modernization projects with resulting deterioration of industrial areas and less opportunity for plant expansions, increasing unemployment as area job opportunities decline.

o Approximately 3,340 living units will not receive refuse collection.

- Refuse pick-up for schools or public institutions will decrease by 480 collections.
- Debris will not be collected for 604 vacant lots, 228 viaducts and 125 miles of parkways.
- 510 City-owned lots will not be cleared and 225 blocks and 121 sewers will not be baited for rodent control.
- Curtail activities in twenty of the twenty-three Beat Representative Districts which are structured to reduce crime through positive police-community relations. Staff at the District Centers interacted in an official capacity with nearly 50,000 residents of the City of Chicago. To reduce the staff of twenty District Centers would seriously impede the delivery of services.

URBAN DEVELOPMENT ACTION GRANT

The Reagan Administration proposes to eliminate the Urban Development Action Grant. Loss of this key financing mechanism for public/private partnerships will result in the loss of millions of dollars in private investment, tax revenue and new jobs.

- Loss of 1,000 to 1,500 jobs that would be available in UDAG - assisted industrial expansion and commercial development.
- Private sector dollars totaling $50 to $60 million will be lost due to lack of UDAG leverage. Jobs that would otherwise be stimulated indirectly by UDAG project expenditures will be foregone. Such losses range up to $180 million or 4,500 jobs.
- Elimination of the UDAG program would reduce the number of housing units provided next year by 150, in addition to a loss of private leverage funds, of which $25 million was made available in 1985 for one housing project.
- Based on 1985 UDAG awards for Planning activities, the City will lose approximately $5.0 million in 1987 if the program is eliminated. This amounts to an additional loss of $50.0 million in private leverage funds, 1,400 jobs and $3.0 million in property tax revenue.

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration is slated for elimination in 1987. Without funds to support economic and industrial expansion, the City will lose businesses and jobs.

- Loss of support for research into Chicago's economy, growth industries, and remedies for declining industries such as steel production.
- Loss of land cost write-down development tool for industrial expansion incentives.
- Curtailment of federal support for reconstruction of decayed industrial streets such as the 47th Kedzie industrial park, leading to loss of employment as companies relocate out of the area.

GENERAL GOVERNMENT

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 72.4	$ 0	$ -72.4	-100%

GENERAL REVENUE SHARING

General Revenue Sharing funds help to defray costs of the City's programs and services in the areas of housing, health, human services, aging and disability and sanitation. The city lost $20.7 million in Revenue Sharing in FY 1986 which placed a greater burden on the City to maintain services at current levels. Reagan's budget proposes to rescind one quarter of FY 1986 General Revenue Sharing funds and terminate the program in FY 1987.

Elimination of General Revenue Sharing would result in a dozen City Departments losing one-third of their funds. To absorb this cut the City would be forced to reduce programs and personnel in the following city service areas:

	Service Reductions	Necessary Layoffs
Consumer Services	37%	70
Health	32%	406
Human Services	32%	52
Sanitation	30%	776
Aging and Disability	29%	16

Cutbacks in these program areas will severely impede the City's ability to:

- Provide vital health care services to Chicago residents including the monitoring and control of communicable diseases; delivery of community health and mental health services; and, performance of licensing and regulatory activities.
- Manage a network of human service functions that protect children, develop youth, strengthen families and deliver aid to those in crisis.
- Assist Chicago's older and disabled persons to live independently and ensure that those who must live in institutions receive proper care.
- Protect the public against fraudulent and deceptive business practices and maintain integrity in the marketplace.
- Provide once-a-week refuse collection for approximately 650,000 living units and City schools.

- Provide bulk refuse collection and hand sweeping of neighborhoods.

In addition to overall service reductions the following programs would be severely cut-back or eliminated if Revenue Sharing is not extended next year.

o Loss of 22,500 annual patient visits as a result of closing 7 health care facilities, including:

--2 of 7 full service neighborhood centers closed.
--3 of 17 community health clinics closed.
--2 of 19 mental health centers closed; reduction of one by 50%.

o Eliminate dental services; health education; and new inititiative program to provide prenatal and delivery care to at risk patients.

o Reduce the home delivery meal service to elderly and/or disabled persons by 78,000 meals.

o Close Chicago Alcoholic Treatment Center which is the only public not for profit center in the City.

o Human Services Centers and outposts will handle 2,880 fewer clients to agency programs.

o 1,500 fewer clients needing information, referral, counseling, or direct benefits such as energy assistance and emergency food will be served.

o Mobile emergency service teams will be dispatched to 86 fewer cases involving families or persons needing emergency shelter, food or transportation.

HOUSING

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 131.1	$ 84.4	$ -46.7*	-35.6%

HOUSING

Zero funding for subsidized housing is proposed in the Reagan Budget. The Rental Rehabilitation program, Rental Housing Development Grant (HODAG) and the Weatherization program for low-income housing units would be eliminated in FY 1987. Since Reagan took office in 1981, housing programs have suffered a 68 percent cut. FY 1987 proposals would result in a 91 percent reduction in housing programs targeted to low income families. These levels are far below those necessary to address the housing needs of our urban poor. Chicago's housing development efforts will suffer a drastic set-back with the loss of housing finance dollars.

o An elimination of the Rental Rehabilitation Program will result in the loss of approximately $20 million in private sector leverage funds and loss of 550 rehabilitated housing units.

o Termination of HODAG funds will curtail the City's ability to stimulate millions of dollars in private investment for affordable housing and result in the loss of 657 housing units.

o 6,000 low income households will not receive weatherization assistance if this program is eliminated.

o Elimination of Section 312 will reduce the number of housing units rehabilitated next year by 90.

o Loss of the Urban Conservation Energy Task Force program will eliminate the only energy research program oriented to urban needs, thereby stagnating progress made in the last two years in energy conservation services that are provided by community based organizations.

o Cuts in the Illinois Home Energy Assistance Program means 5,000 low income households will not receive home energy assistance payments to help defray the high cost of home heating during the winter or to restore gas or electric service terminated by the utility companies.

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*Does not include $34.5 million lost in CHA modernization funds.

CHICAGO HOUSING AUTHORITY

The Chicago Housing Authority provides shelter for 140,000 people in the City of Chicago. Proposed cuts in the Reagan budget places this responsibility in grave danger. Funding cuts in operating and modernization dollars which serve to maintain Chicago's public housing units threaten the CHA's ability to provide decent, safe and sanitary housing to residents who cannot find this housing in the private market.

Chicago has 40,000 public housing units over 10 years old in desperate need of modernization. Last year a need analysis was carried out to determine the cost of bringing the units up to decent housing standards. Repairs were estimated at $750 million which the CHA applied for in modernization funds. Although the need was much greater, the CHA expected a bare minimum of $32 million. They received only $2.6 million in 1985 and $14.2 million in 1986. No modernization's funds are available in the 1987 budget proposal. The Reagan Administration's housing policy will effectively reduce Chicago's public housing stock to the slums they were built to eliminate.

The proposed budget cuts will have the following devastating affect on the Chicago Housing Authority:

o Force drastic cuts in its workforce and eliminate basic services to CHA residents.

o Eliminate all new construction, making it impossible to comply with the Gautreaux court order to provide scattered-site housing.

o Further increase the backlog of deferred maintenance items, causing even more units to fall into disrepair.

o Eliminate any cost savings resulting from energy retrofitting and updated management systems.

o Curtail on-site day care programs for working mothers and abolish vital employment programs for youth.

HEALTH AND HUMAN SERVICES

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 98.2	$ 83.8	$ -14.4	-14.7%

Health and Human Service programs received a less drastic reduction than other program areas, however, two major City programs are detrimentally affected by the Reagan budget proposal: Community Services Block Grant that is slated for elimination and the Social Services Block Grant that received a slight increase in budget authority, however, will have its funds spread thinner to compensate for those programs terminated under the Community Services Block Grant. In addition, Head Start, Home Energy Assistance, Services for the Elderly - Title III and the Health Block Grant received cuts in 1986 and only slight funding increases in 1987 causing those programs to fall behind revenue required to operate at current service levels. Reagan is attempting once again to eliminate the Health Planning Block Grant that funds Health System Agencies nationwide with the primary goal of controlling health care costs. Numerous cutbacks in programs will be necessary to continue operations at the reduced funding level.

o Community Service Center programs will be cut back by more than two-fifths (41.5%).

o Four Community Service Centers and two outposts will be closed, limiting accessibility to DHS services by clients, reducing contact with community groups, and ending service in nearly half of the neighborhoods in Chicago.

o DHS staff will help 157,700 fewer clients needing information, referral, counseling or direct benefits such as energy assistance and emergency food.

o 19 delegate agencies providing youth and family services will be closed, ending services to 9,500 persons annually and eliminating 40 local jobs.

o 19 Chicago Intervention Network delegate agencies providing services to help reduce gang activity will be closed, ending service to 5,700 clients annually and eliminating 19 local jobs.

o The Summer Lunch Program will not be able to meet nutritional need among the City's poor children; 47 sites will not be able to serve 87,000 meals to children whose access to nutritious meals at school ends with the finish of the school year.

o 8 Title XX Day Care and After-School Care Centers will be closed, ending child development and care for 397 children and eliminating 55 local jobs. This impact is in addition to the severe loss of day care spots and jobs from cuts in the CDBG program.

- 9 Head Start centers will be closed, ending child development and care for 488 low-income children and eliminating 42 local jobs.

- 1 maternal and child health clinic providing services to reduce prenatal, infant and post neonatal mortality and the incidence of preventable diseases among children will close. The number of clients served will be reduced by 20% or 12,000 patient services.

- Congregate meals and home delivered meals for the elderly will be reduced by 150,000.

- Loss of the only public Health Care Consumer Organization which has been successful in saving Chicago residents $100 million in additional health care costs, 10 times the amount of tax dollars expended for the program since its inception.

JOB TRAINING/PLACEMENT

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 56.7	$ 36.6	$ -20.1	-35.4%

If the President's budget is approved the JTPA Title II-A grant servicing economically disadvantaged persons in Chicago through a variety of employment and training services will realize a $3 million shortfall in 1987 and Title II-B Summer Youth Employment will receive $16 million less than 1987 program levels require.

o Job training service levels will decrease from 17,000 persons to 15,000 or less, adversely affecting neighborhoods with a high concentration of economically disadvantaged persons where 50% of employment and training agencies exist. Cutbacks in the number of agencies will further deteriorate employment and socio-economic conditions of already impoverished and blighted communities.

o A reduction in the FY 1986 summer youth program will force the City to cease funding approximately 150 community based organizations serving economically disadvantaged youth in Chicago. This translates into a 50% reduction or 12,000 fewer Chicago youth who will be served by the summer job program. Additional cuts in the 1987 program will result in 4,750 youth who would not receive services for a combined impact of close to 17,000 young people left without employment training during the summer months. Circumstances such as these act as a catalyst for crime and gang activity.

TRANSPORTATION

FY 1987 CITY SERVICE LEVEL	FY 1987 PROPOSED FUNDING LEVEL	LOSS	%
$ 356.3	$ 117.5	$-238.8	-67%

Formulation of a new tranportation block grant will lump several old transportation programs together thereby eliminating at least one funding source and severely slashing several others. Federal operating assistance to mass transit will be eliminated under Reagan's budget. Capital assistance to the CTA will decrease by 62%. Chicago's Interstate Transfer Transit capital improvement program will be cut 40% and the federal highway program will lose a third of its funding. These losses total over $200 million and will have devastating affects on transportation services in the City.

- Reduced funding levels of the Interstate Transfer Transit program make it impossible for the City to complete the Southwest Transit Project, (a nine-mile rapid transit extension to Midway Airport), on schedule and within budget. Furthermore, funding shortfalls may threaten the City's undertaking of the project at all.
- Budget cuts in the Highway Resurfacing program will make it impossible for the City to complete the equivalent of 8 miles of highway re-surfacing improvements, including traffic signal modernization and throat widening improvements which are key parts of the resurfacing job. The inability to maintain these roads is in addition to the 10-15 miles that will not be resurfaced this year due to previous budget cuts. Prolonged maintenance serves only to create substandard roads and increase repair costs.
- Elimination of mass transit operating assistance and reduction in capital assistance by over one-half would force the CTA to raise revenue through substantial fare increases or reduce operations and defer capital maintenance.
  - To maintain operations at current levels, a fare increase of approximately 20% would be necessary. However, transit fair increases of five to ten percent took place this month making the regions transit system one of the most expensive in the nation.
  - Were fares to be maintained at existing levels, substantial reduction in operations would be required impeding Chicago residents access to their jobs and overburdening the highway system.
  - The reduction of capital assistance would defer maintenance of the region's transit infrastructure, one of the oldest in the nation. As capital rehabilitation is deferred, deterioration of tracks, stations, vehicles and other capital equipment and facilities escalate causing operating maintenance costs to soar. Without capital investment dollars the City's mass transit system will inevitably collapse.

o Cuts in the FAA trust fund that distributes money to airports for improvements will cut Chicago's share by approximately 20%. This reduction is unjustified as airline users pay an 8% tax on ticket prices to provide money to the trust fund. Without the necessary dollars, airfield improvements at Midway will suffer forcing airlines to raise costs to pay for required repairs.

IMPACT ON CHICAGO OF CURRENTLY PROPOSED CUTS IN FEDERAL PROGRAMS DETAIL ($ IN MILLIONS)

		1985	1986	1987	1988	1989	TOTAL 1986-1989
COMMUNITY & ECONOMIC DEVELOPMENT							
CDBG	CITY SERVICE LEVEL	$99.3	$103.1	$107.0	$111.1	$115.3	$436.4
	REAGAN S PROPOSAL	$99.3	$71.9	$70.4	$73.5	$76.5	$292.3
	DIFFERENCE	$0.0	($31.2)	($36.6)	($37.5)	($38.8)	($144.1)
UDAG	CITY SERVICE LEVEL	$9.2	$9.5	$9.9	$10.3	$10.7	$40.4
	REAGAN S PROPOSAL	$9.2	$2.2	$0.0	$0.0	$0.0	$2.2
	DIFFERENCE	$0.0	($7.3)	($9.9)	($10.3)	($10.7)	($38.2)
EDA -INDUSTRIAL STREETS -SECTION 302-PLANNING -LAND COST WRITE DOWN	CITY SERVICE LEVEL	$2.5	$2.6	$2.7	$2.8	$2.9	$11.0
	REAGAN S PROPOSAL	$2.5	$1.7	$0.0	$0.0	$0.0	$1.7
	DIFFERENCE	$0.0	($0.9)	($2.7)	($2.8)	($2.9)	($9.3)
TOTAL	CITY SERVICE LEVEL	$111.0	$115.2	$119.6	$124.1	$128.9	$487.8
	REAGAN S PROPOSAL	$111.0	$75.8	$70.4	$73.5	$76.5	$296.2
	DIFFERENCE	$0.0	($39.4)	($49.2)	($50.6)	($52.4)	($191.6)
GENERAL GOVERNMENT							
GENERAL REVENUE SHARING	CITY SERVICE LEVEL	$67.2	$69.8	$72.4	$75.2	$78.0	$295.4
	REAGAN S PROPOSAL	$67.2	$27.7*	$0.0	$0.0	$0.0	$27.7
	DIFFERENCE	$0.0	($42.1)	($72.4)	($75.2)	($78.0)	($267.7)
HEALTH AND HUMAN SERVICES							
SOCIAL SERVICES BLOCK GRANT	CITY SERVICE LEVEL	$13.7	$14.2	$14.8	$15.3	$15.9	$60.2
	REAGAN S PROPOSAL	$13.7	$13.0	$13.6	$13.6	$13.6	$53.8
	DIFFERENCE	$0.0	($1.2)	($1.2)	($1.7)	($2.3)	($6.4)
COMMUNITY SERVICES BLOCK GRANT	CITY SERVICE LEVEL	$6.7	$7.0	$7.2	$7.5	$7.8	$29.5
	REAGAN S PROPOSAL	$6.7	$6.4	$0.0	$0.0	$0.0	$6.4
	DIFFERENCE	$0.0	($0.6)	($7.2)	($7.5)	($7.8)	($23.1)
HEAD START	CITY SERVICE LEVEL	$27.1	$28.1	$29.2	$30.3	$31.5	$119.1
	REAGAN S PROPOSAL	$27.1	$26.2	$26.8	$26.8	$26.8	$106.6
	DIFFERENCE	$0.0	($1.9)	($2.4)	($3.5)	($4.7)	($12.5)
HOME ENERGY ASSISTANCE	CITY SERVICE LEVEL	$17.6	$18.3	$19.0	$19.7	$20.4	$77.4
	REAGAN S PROPOSAL	$17.6	$16.8	$17.6	$17.6	$17.6	$69.6
	DIFFERENCE	$0.0	($1.5)	($1.4)	($2.1)	($2.8)	($7.8)

*REFLECTS PROPOSAL TO RESCIND ONE QUARTER OF FY 1986 GENERAL REVENUE SHARING BUDGET AUTHORITY.

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		1985	1986	1987	1988	1989	TOTAL 1986-1989
SERVICES FOR ELDERLY (TITLE III)	CITY SERVICE LEVEL	$11.3	$11.7	$12.2	$12.6	$13.1	$49.6
	REAGAN'S PROPOSAL	$11.3	$10.8	$11.0	$11.0	$11.0	$43.8
	DIFFERENCE	$0.0	($0.9)	($1.2)	($1.6)	($2.1)	($5.8)
HEALTH PLANNING	CITY SERVICE LEVEL	$0.70	$0.73	$0.75	$0.78	$0.81	$3.07
	REAGAN'S PROPOSAL	$0.70	$0.30	$0.00	$0.00	$0.00	$0.30
	DIFFERENCE	$0.00	($0.43)	($0.75)	($0.78)	($0.81)	($2.77)
HEALTH BLOCK GRANTS -MATERNAL & CHILD HEALTH -FAMILY PLANNING	CITY SERVICE LEVEL	$7.3	$7.6	$7.9	$8.2	$8.5	$32.2
	REAGAN'S PROPOSAL	$7.3	$7.0	$8.0	$8.0	$8.0	$31.0
	DIFFERENCE	$0.0	($0.6)	$0.1	($0.2)	($0.5)	($1.2)
NUTRITION -WOMEN, INFANTS, CHILDREN NUTRITION	CITY SERVICE LEVEL	$6.6	$6.9	$7.1	$7.4	$7.7	$29.1
	REAGAN'S PROPOSAL	$6.6	$6.6	$6.8	$7.1	$7.5	$28.0
	DIFFERENCE	$0.0	($0.3)	($0.3)	($0.3)	($0.2)	($1.1)
TOTAL	CITY SERVICE LEVEL	$91.0	$94.5	$98.2	$101.8	$105.7	$400.2
	REAGAN'S PROPOSAL	$91.0	$87.1	$83.8	$84.1	$84.5	$339.5
	DIFFERENCE	$0.0	($7.4)	($14.4)	($17.7)	($21.2)	($60.7)
HOUSING							
I. CITY							
RENTAL REHAB.	CITY SERVICE LEVEL	$10.6	$11.0	$11.4	$11.9	$12.3	$46.6
	REAGAN'S PROPOSAL	$10.6	$0.0	$0.0	$0.0	$0.0	$0.0
	DIFFERENCE	$0.0	($11.0)	($11.4)	($11.9)	($12.3)	($46.6)
WEATHERIZATION	CITY SERVICE LEVEL	$6.1	$6.3	$6.6	$6.8	$7.1	$26.8
	REAGAN'S PROPOSAL	$6.1	$5.8	$0.0	$0.0	$0.0	$5.8
	DIFFERENCE	$0.0	($0.5)	($6.6)	($6.8)	($7.1)	($21.0)
RENTAL HOUSING DEVELOPMENT (HODAG)	CITY SERVICE LEVEL	$13.4	$13.9	$14.4	$15.0	$15.6	$58.9
	REAGAN'S PROPOSAL	$13.4	$8.3	$0.0	$0.0	$0.0	$8.3
	DIFFERENCE	$0.0	($5.6)	($14.4)	($15.0)	($15.6)	($50.6)
SINGLE FAMILY REHAB. LOANS (312)	CITY SERVICE LEVEL	$2.2	$2.3	$2.4	$2.5	$2.6	$9.8
	REAGAN'S PROPOSAL	$2.2	$0	$0.0	$0.0	$0.0	$0.0
	DIFFERENCE	$0.0	($2.3)	($2.4)	($2.5)	($2.6)	($9.8)
SUBTOTAL	CITY SERVICE LEVEL	$32.3	$33.5	$34.8	$36.2	$37.6	$142.1
	REAGAN'S PROPOSAL	$32.3	$14.1	$0.0	$0.0	$0.0	$14.1
	DIFFERENCE	$0.0	($19.4)	($34.8)	($36.2)	($37.6)	($128.0)

II. CHICAGO HOUSING AUTHORITY (CHA)		1985	1986	1987	1988	1989	TOTAL 1986-1989
OPERATING SUBSIDY	CITY SERVICE LEVEL	$89.4	$92.8	$96.3	$100.0	$103.8	$392.9
	REAGAN'S PROPOSAL	$89.4	$83.5	$84.4	$94.2	$97.1	$359.2
	DIFFERENCE	$0.0	($9.3)	($11.9)	($5.8)	($6.7)	($33.7)
TOTAL	CITY SERVICE LEVEL	$121.7	$126.3	$131.1	$136.2	$141.4	$535.0
	REAGAN'S PROPOSAL	$121.7	$97.6	$84.4	$94.2	$97.1	$373.3
	DIFFERENCE	$0.0	($28.7)	($46.7)	($42.0)	($44.3)	($161.7)
JOB TRAINING/ PLACEMENT							
JTPA (BLOCK GRANT) TITLE II A	CITY SERVICE LEVEL	$27.4	$28.4	$29.5	$30.6	$31.8	$120.3
	REAGAN'S PROPOSAL	$27.4	$25.9	$26.5	$26.5	$26.5	$105.4
	DIFFERENCE	$0.0	($2.5)	($3.0)	($4.1)	($5.3)	($14.9)
SUMMER YOUTH EMPLOYMENT TITLE II B	CITY SERVICE LEVEL	$22.7	$23.6	$24.5	$25.4	$26.4	$99.9
	REAGAN'S PROPOSAL	$22.7	$12.2	$8.2	$8.2	$8.2	$36.8
	DIFFERENCE	$0.0	($11.4)	($16.3)	($17.2)	($18.2)	($63.1)
OLDER AMERICANS ACT TITLE V	CITY SERVICE LEVEL	$0.6	$0.62	$0.65	$0.67	$0.70	$2.64
	REAGAN'S PROPOSAL	$0.6	$0.96	$1.00	$1.00	$1.00	$3.96
	DIFFERENCE	$0.0	$0.34	$0.35	$0.33	$0.30	$1.32
DISLOCATED WORKERS TITLE III	CITY SERVICE LEVEL	$1.9	$1.97	$2.05	$2.12	$2.21	$8.35
	REAGAN'S PROPOSAL	$1.9	$1.82	$0.93	$0.93	$0.93	$4.61
	DIFFERENCE	$0.0	($0.15)	($1.12)	($1.19)	($1.28)	($3.74)
TOTAL	CITY SERVICE LEVEL	$52.6	$54.6	$56.7	$58.8	$61.1	$231.2
	REAGAN'S PROPOSAL	$52.6	$41.0	$36.6	$36.6	$36.6	$150.8
	DIFFERENCE	$0.0	($13.6)	($20.1)	($22.2)	($24.5)	($80.4)
GRAND TOTAL SOCIAL SERVICES	CITY SERVICE LEVEL	$443.5	$460.4	$478.0	$496.1	$515.1	$1,949.6
	REAGAN'S PROPOSAL	$443.5	$329.2	$275.2	$288.4	$294.7	$1,187.5
	DIFFERENCE	$0.0	($131.2)	($202.8)	($207.7)	($220.4)	($762.1)

TRANSPORTATION		1985	1986	1987	1988	1989	TOTAL 1986-1989
I. CITY							
INTERSTATE TRANSFER TRANSIT	CITY SERVICE LEVEL	$117.6	$122.1	$126.7	$131.5	$136.5	$516.8
	REAGAN'S PROPOSAL	$117.6	$103.5	$62.1	$62.1	$62.1	$289.8
	DIFFERENCE	$0.0	($18.6)	($64.6)	($69.4)	($74.4)	($227.0)
HIGHWAY RESURFACING	CITY SERVICE LEVEL	$41.0	$42.6	$44.2	$45.9	$47.6	$180.3
	REAGAN'S PROPOSAL	$41.0	$25.8	$17.3	$17.3	$17.3	$77.7
	DIFFERENCE	$0.0	($16.8)	($26.9)	($28.6)	($30.3)	($102.6)
SUBTOTAL	CITY SERVICE LEVEL	$158.6	$164.7	$170.9	$177.4	$184.1	$697.1
	REAGAN'S PROPOSAL	$158.6	$129.3	$79.4	$79.4	$79.4	$367.5
	DIFFERENCE	$0.0	($35.4)	($91.5)	($98.0)	($104.7)	($329.6)
II. CHICAGO TRANSIT AUTHORITY (CTA)							
OPERATING ASSISTANCE	CITY SERVICE LEVEL	$50.5	$52.4	$54.4	$56.5	$58.6	$221.9
	REAGAN'S PROPOSAL	$50.5	$50.1	$0.0	$0.0	$0.0	$50.1
	DIFFERENCE	$0.0	($2.3)	($54.4)	($56.5)	($58.6)	($171.8)
CAPITAL PROJECTS	CITY SERVICE LEVEL	$121.6	$126.2	$131.0	$136.0	$141.2	$534.4
	REAGAN'S PROPOSAL	$121.6	$100.3	$38.1	$38.1	$38.1	$214.6
	DIFFERENCE	$0.0	($25.9)	($92.9)	($97.9)	($103.1)	($319.8)
SUBTOTAL CTA	CITY SERVICE LEVEL	$172.1	$178.6	$185.4	$192.5	$199.8	$756.3
	REAGAN'S PROPOSAL	$172.1	$150.4	$38.1	$38.1	$38.1	$264.7
	DIFFERENCE	$0.0	($28.2)	($147.3)	($154.4)	($161.7)	($491.6)
GRAND TOTAL TRANSPORTATION	CITY SERVICE LEVEL	$330.7	$343.3	$356.3	$369.9	$383.9	$1,453.4
	REAGAN'S PROPOSAL	$330.7	$279.7	$117.5	$117.5	$117.5	$632.2
	DIFFERENCE	$0.0	($63.6)	($238.8)	($252.4)	($266.4)	($821.2)
GRAND TOTAL GRANTS	CITY SERVICE LEVEL	$774.2	$803.7*	$834.3*	$866.0*	$899.0*	$3,403.0
	REAGAN'S PROPOSAL	$774.2	$608.9	$392.7	$405.9	$412.2	$1,819.7
	DIFFERENCE	$0.0	($194.8)	($441.6)	($460.1)	($486.8)	($1,583.3)

*BASE REFLECTS A 3.8% INFALATION RATE ADJUSTMENT.

AFFILIATE CITY AGENCIES
BUDGET CUTS IN MAJOR PROGRAM AREAS
FY 1985 - FY 1987
DETAIL ($ IN MILLIONS)

		FY 1985	FY 1986	FY 1987	CUMULATIVE LOSS (1985-1987)
CHICAGO PUBLIC SCHOOLS					
-ELEMENTARY, SECONDARY EDUCATION BLOCK GRANT AND SPECIAL PROGRAMS	CURRENT SERVICES	$207.0	$215.3	$223.9	$646.2
	REAGAN'S BUDGET	$207.0	$207.0	$207.0	$621.0
	DIFFERENCE	$0.0	($8.3)	($16.9)	($25.2)
CITY COLLEGES -FEDERAL SUPPORT	CURRENT SERVICES	$31.5	$32.7	$33.9	$98.1
	REAGAN'S BUDGET	$31.5	$32.1	$26.8 *	$90.4
	DIFFERENCE	$0.0	($0.6)	($7.1)	($7.7)
CHICAGO HOUSING AUTHORITY -MAINTENANCE	CURRENT SERVICES	$32.0 **	$33.2	$34.5	$99.7
	REAGAN'S BUDGET	$2.6	$14.2	$0.0	$16.8
	DIFFERENCE	($29.4)	($19.0)	($34.5)	($82.9)
COOK COUNTY HOSPITAL -MEDICARE -MEDICAID -OTHER GRANTS	CURRENT SERVICES	***	$77.8	$80.6	$158.4
	REAGAN'S BUDGET	***	$77.8	$73.5	$151.3
	DIFFERENCE	***	$0.0	($7.1)	($7.1)
CHICAGO SANITARY DISTRICT -TITLE II CLEAN WATER ACT	CURRENT SERVICES	$55.0	$57.2	$59.5	$171.7
	REAGAN'S BUDGET	$55.0	$55.0	$41.3	$151.3
	DIFFERENCE	$0.0	($2.2)	($18.2)	($20.4)
CHICAGO PARK DISTRICT -URBAN PARK RECREATION AND RECOVERY PROGRAM ****	CURRENT SERVICES	$1.35	$1.40	$1.45	$4.20
	REAGAN'S BUDGET	$1.35	$1.47	$0.32	$3.14
	DIFFERENCE	$0.00	$0.07	($1.13)	($1.06)
TOTAL	CURRENT SERVICES	$326.9	$417.6	$433.8	$1,178.3
	REAGAN'S BUDGET	$297.5	$387.6	$348.9	$1,033.9
	DIFFERENCE	($29.4)	($30.0)	($84.9)	($144.4)

*ESTIMATED LOSS BASED ON OVERALL 16.5% REDUCTION IN FEDERAL HIGHER EDUCATION BUDGET.
**REFLECTS MINIMUM NEED BASED ON MODERNIZATION ASSESSMENT.
***DATA UNAVAILABLE
****NO NEW APPROPRIATION SINCE 1985. FUNDS ARE FROM CARRYOVER.

NTIC National Training and Information Center
954 West Washington Boulevard □ Chicago, Illinois 60607 □ (312) 243-3035

UPDATE ON CRA AGREEMENTS SINCE BANKING COMMITTEE VOTE ON H.R. 1

Providence	Fleet National Bank	$8.6 million in mortgages and home improvement loans
	Bank of New England	$2 million in mortgages and home improvement loans
St. Louis	Boatmen's Bank	$50 million in mortgages and home improvement loans
Duluth	First Bank of Duluth	$4 million in commercial loans, venture capital and business management assistance
Chicago	Continental Bank	$20 million in home improvement loans
San Antonio	NBC of San Antonio	$5 million in construction financing, home improvement and commercial loans
Washington	NS & T	$10 million in mortgages and home improvement loans
Milwaukee	First Mil Bank	$1.3 million in small business loans
Herrin, IL	Bank of Zeigler	$5 million in mortgages, home improvement and commercial loans

SUMMARY: SINCE THE HOUSE BANKING COMMITTEE VOTED TO MAKE HMDA PERMANENT IN MID - 1985, BANKS ACROSS THE COUNTRY HAVE COMMITTED AN ADDITIONAL $105.9 MILLION TO URBAN AND RURAL NEIGHBORHOOD REVITALIZATION THROUGH USE OF CRA.

READ THIS

IN 5 MINUTES YOU WILL KNOW :

HOW TO WIPE OUT THE DEFICIT, BALANCE THE BUDGET, INCREASE SPENDING ON ECONOMIC AND SOCIAL PROGRAMS, MAINTAIN A STRONG NATIONAL DEFENSE, AND CREATE A HUGE BUDGET SURPLUS. ALL THIS, WITHOUT GRAMM/RUDMAN.

A publication of the
National Training and Information Center

Public documents show evidence that over $100,000,000,000 (one hundred billion) in yearly savings could be realized in the budget by eliminating Pentagon fraud, mismanagement, waste, and inefficiency in the following program areas:

PROGRAM AREA	POTENTIAL SAVINGS (in billions)
PROCUREMENT	$66.7
MANAGEMENT	$20
RESEARCH & DEVELOPMENT	$ 6.4
OPERATIONS	$ 6
COMPENSATION	$ 1

TOTAL YEARLY SAVINGS	$100.1 BILLION

THE PENTAGON BUDGET: THE GREAT FLIM-FLAM

The reports listed below contain documentation of waste, fraud, and mismanagement at the Pentagon. The total dollar amount of this taxpayer rip-off exceeds $100,000,000,000 (one hundred billion dollars).

1 Gordon Adams. The Iron Triangle: The Politics of Defense Contracting (Council on Economic Priorities. New York) 1981
2 Congressman Les Aspin in Congressional Record 2/8/82
3 Congressional Budget Office. Improving Military Education Benefits: Effects on Costs Recruiting and Retention. 3/82.
4 Congressional Budget Office. A Review of The Department of Defense, December 31,1982 Selected Aquisition Reports (SARs) Special Study (GPO Washington D.C.) 8/83.
5 Congressional Budget Office. Army Ground Combat Modernization for the 1980's Potential Costs and Effects for NATO (GPO Washington D.C.) 11/82.
6 Congressional Budget Office. Reducing the Federal Budget Strategies and Examples, Fiscal Years 1982-1986. (GPO Washington D.C.) 2/81.
7 Congressional Budget Office. Reducing the Deficit. Spending Revenue Options. (GPO Washington D.C.) 2/83
8 E Dews and G. Smith, A. Barbour, E. Harris and M Hesse. Aquisition Policy Effectiveness. Department of Defense Experience in the 1970's (R-2516-DR&E) The RAND Corporation. 10/79, cited in Congressional Budget Office. Cost Growth in Weapon Systems. Recent Experience. (GPO Washington D.C.) 10/12/82
9 Robert Foelber. "Cutting the High Cost of Weapons." Backgrounder No. 172. (Heritage Foundation. Washington D.C.) 3/16/82
9 Jaques Gansler. "We CanAfford Security" in Foreign Policy, Summer 1983.
1 Jaques Gansler before U.S. Congress, Joint Economic Committee, Defense Program and The Economy,Part 1.(GPO. Washington D.C.) 1983.
2 Jaques Gansler. The Defense Industry (M.I.T. Press Cambridge, Mass), 1980.
3 Jaques Gansler in U.S House of Representatives Committee on Armed Services. Defense Procurement Policies and Procedures: Cost, Management and Control.
4 R.P. Gates,Jr. et al. Electronics-X A Study of Military Electronics With Particular Reference to Cost and Reliability. Institute for Defense Analysis Report R-195. 1/74.
5 John Hanrahan. Common Cause Magazine 5-6/83.
6 National Defense Budget Estimates for FY84 (Office of the Comptroller of the Department of Defense Washington D.C.) 3/83
7 Office of the Inspector General Audt, Inspection and Investigative Operations in the Department of Defense. October 1982-March 1983 (Department of Defense Washington D.C.) 5/27/83.
8 Presidents Private Sector Survey on Cost Control. Task Force Report on Research and Development. 11/9/83
9 Presidents Private Sector Survey on Cost Control Task Force Report On Real Property Management 5/17/83.
1 Presidents Private Sector Survey on Cost Control Task Force Report onthe Department of the Air Force. 7/13/83
1 Presidents Private sector Survey on Cost Control Task Force Report on the Federal Feeding Programs. 6/83
2 Presidents Private Sector Survey on Cost Control Task Force Report on Federal Hospital Management. 5/17/83.

23 Presidents Private Sector Survey on Cost Control A Report to the President. Volume 1. 1/15/84
24 U.S. Department of Defense. "A Report of Merger of the Air Force, Reserve and National Guard." AD-A0007-540. 1/75
25 U.S General Accounting Office. GAO/AFMD-83-39. 7/12/83.
26 U.S General Accounting Office. GAO/PPCD-82-70. 8/23/83.
27. " GAO/PPCD-83-10. 3/2/83.
28. " MASAD-81-19. 3/31/81
29. " AFMD-81-105. 10/5/81
30. " LCD-79-211(963461) 5/16/79.
31. " PLRD-81-45. 7/19/81.
32. " PSAD-80-6. 11/8/79.
33. " AFMD-83-78 9/27/83.
34. " PSAD-79-99. 9/11/79.
35. " PLRD-83-82
36. " PLRD-82-106. 9/2/80.
37. " LCD-80-83 2/7/80
38. " LCD-80-86. 6/30/80.
39. " B-204570. 9/15/81
40. " GAO/PLRD-82-75 8/11/82.
41. " HRD-81-83. 2/2/81
42. " GAO/HRD-83-1. 12/1/82.
43. " GAO/HRD-82-77. 9/1/82.
44. " GAO/HPI-82-129. 9/28/82.
45. " GAO/PLRD-83-77. 6/6/83.
46. " LCD-77-315. 3/28/77.
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51. U.S. House of Representatives, Committee on the Budget, Task Force on National Security and Veterans. Waste and Mismanagement in Defense TTF4-A 3/10/81
52. U.S. House of Representatives. Committee on Appropriations. Department of Defense Appropriations for 1983, Part 9, Procurement Policies and Practices 1982
53. U.S. Senate Committe On Governmental Affairs. Management of the Department of Defense. Part1. (GPO. Washington D.C. 1983
54. U.S. Senate Committee on Governmental Affairs. Statement of Alice Rivlin. Aquisition Process in the Department of Defense (GPO. Washington D.C.) 1982.
55. United States General Accounting Office. Gross Savings from Competition or Direct Purchase of High Dollar Value Parts Are Substantial. No. B-208191, June 1, 1983.

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The National Training and Information
Center

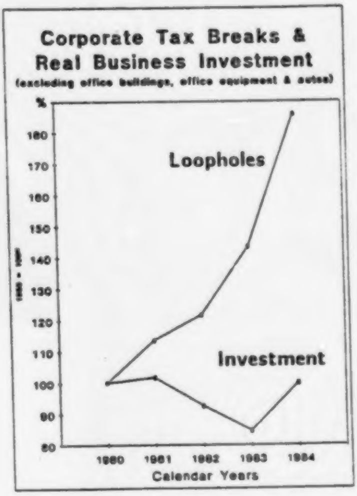
THE GREAT TAXPAYER RIP-OFF

Outside of Pentagon waste, the biggest dollar drain of the Treasury fueling the deficit is tax subsidies for corporations and the rich.

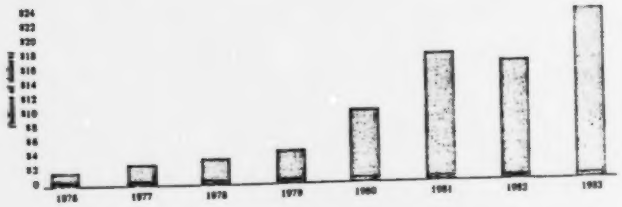
SOURCE	AMOUNT OF YEARLY DOLLAR DRAIN THAT ADDS TO THE DEFICIT
Reports by:	
The Congressional Joint Committee on Taxation: Increase in the Annual Cost of Corporate Tax Loopholes since 1980	$120,000,000,000 ($120 billion)
Tax Shelters and the American Economy. (Public Citizen, Washington, D.C., Feb. 1985) and the Securities and Exchange Commission	$ 24,000,000,000 ($24 billion)
TOTAL COST TO TAXPAYERS OF TAX SUBSIDIES	$144,000,000,000 ($144 billion)

MONEY FOR NOTHING

The Failure of Corporate Tax Incentives 1981-1984



Estimated Tax Shelter Offerings Public & Private, 1976-83



Source Securities and Exchange Commission

NOW YOU KNOW WHAT THEY'VE BEEN HIDING:

1) The deficit is the direct result of:

   - RIP-OFFS BY MILITARY CONTRACTORS
   - WELFARE PAYMENTS TO BIG BUSINESS AND THE RICH

2) Congress could end this rip-off in 24 hours

   - WITHOUT GRAMM/RUDMAN
   - WITHOUT RAISING TAXES FOR WAGE EARNERS
   - WITHOUT CUTTING SOCIAL SPENDING
   - WITHOUT WEAKENING NATIONAL SECURITY

TO FIND OUT HOW.......TURN THE PAGE

THE FOUR STEP PLAN

1.	Congress cuts the Pentagon Budget (based on publicly available documentation of waste, fraud and mismanagement)	$100,000,000,000
2.	Congress adds $144 billion to the Treasury by cutting tax subsidies to corporations and the rich	$144,000,000,000
	TOTAL BUDGET SAVINGS	$244,000,000,000
3.	Congress subtracts the deficit for Fiscal Year 1987	-$144,000,000,000
4.	BUDGET SURPLUS	$100,000,000,000

This simple four step plan will balance the budget in Fiscal Year 1987 and create a cumulative budget surplus of $400 billion by Fiscal year 1991.

A TOOL FOR COMMUNITY CAPITAL:
HOME MORTGAGE DISCLOSURE ACT
1985 NATIONAL SURVEY

A WORKING PAPER:

Calvin Bradford

Paul Schersten

Cooperative Community Development Program
of the
Hubert H. Humphrey Institute of Public Affairs
and the Department of Community Services
of the
College of Continuing Education and Extension
University of Minnesota

Hubert H. Humphrey Institute
909 Social Sciences
267 19th Avenue South
Minneapolis, Minnesota 55455

(612) 376-9798

September 1985

The Cooperative Community Development Program responds to the public affairs needs of community organizations and citizens, particularly members of minority groups, women, and low- and moderate-income people, who have traditionally been excluded from participation in public affairs because of some form of discrimination or due to the lack of financial resources.

The overall goals of the program are to provide research and technical assistance resources to geographic, social, and economic community groups at the local, state, and national levels to add to their abilities to present their cases and positions effectively and in ways which increase their direct participation in public affairs debates, policy development, program implementation, and program and policy evaluation in areas which affect their lives. The program concentrates on the critical areas of political participation (in the generic sense) and economic development.

Inquiries about the program should be directed to:

Calvin Bradford, Director
Cooperative Community Development Program
Hubert Humphrey Institute of Public Affairs
909 Social Science Building
University of Minnesota
Minneapolis, Minnesota 55455
(612) 376-9798

Paul Schersten is a Research Assistant in the Cooperative Community Development Program.

This is a working paper. The authors invite comments, reviews, and criticism.

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The Humphrey Institute is hospitable to a diversity of opinions and aspirations. The Institute does not itself take positions on issues of public policy. The contents of this paper are the responsibility of its authors.

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SUMMARY

The overall goal of the HMDA was to produce data which would be a resource to create dialogue between the private lenders and the community and government concerning the access to private capital markets. It was further anticipated that where needs could be identified which could be served by the private lending market, the HMDA would help in the identification of these markets, the creation of programs and policies to meet these needs, and the monitoring and evaluation of these reinvestment efforts. One common appeal by community leaders in the initial effort to create the HMDA was, "give us the lending data and we will create the programs to reinvest in our communities."

In 1985, the National Training and Information Center (NTIC) sent out a survey to assess uses of the HMDA. The Cooperative Community Development Program, at the University of Minnesota, tabulated these surveys and did follow-up phone interviews with a sample of the respondents. This survey was compared to the larger survey efforts funded by HUD and carried out by NTIC in 1977 and 1979. This report compares the results of these three surveys in order to define trends in HMDA uses and to assess the impact and problems associated with HMDA uses.

The HMDA surveys account for at least $3.7 billion in community reinvestment related to uses of the HMDA, with the real total probably being substantially higher.

All of the uses identified in this survey indicate that the HMDA does act as a major reinvestment resource, leveraging critical private sector dollars at almost no direct expense to the government. The involvement of community people in the assessment of their own credit needs, the analysis of the performance of local lenders, and the development of policies and programs to meet these needs on a basis which is economically viable for the lenders is the best single indicator of the larger success of the HMDA as a major stimulus for private reinvestment dollars. In addition, the HMDA has become a critical tool in the regulation of financial institutions to hold them accountable to serve community needs as they also seek sound and profitable markets.

The HMDA is used by individual lenders to review their own performance. The HMDA is increasingly used by government agencies to develop programs and monitor results in the areas of housing, community economic development, and fair housing. The HMDA has been used by community groups in at least 38 states and the District of Columbia and in at least 117 different cities. The report estimates that there are over 7,500 different uses of the HMDA each year.

What is most important, however, is not something which can be expressed simply in counts of uses or users. The use of the HMDA has allowed people to become active citizens, not only in the political process but in their local economies as well. The evolutionary efforts of the late 1960s and early 1970s to develop community-based economic development capacities have accelerated rapidly with the advent of the HMDA. The HMDA has made not only housing issues, but economic development issues a matter of citizen participation and debate. The dialogue created between the public and the lending institutions around the HMDA has drawn the lending institutions into serving community credit needs and drawn the community into public discussion about the role and resources of the private capital markets. Clearly, many of the community development and reinvestment programs created around the country by those who have never directly used the HMDA find their genesis in the dialogue created by the HMDA.

The programs created out of negotiations with lenders arising from HMDA analyses have created a plethora of "public/private partnerships". These programs appear to be on the cutting edge of efforts to work out the proper roles and tensions between the citizens, the government, and the private sector in our democratic form of government and free enterprise capitalistic form of economy. The HMDA and the CRA provide simple tools which create public access to lending data and which require the managers of government-protected pools of capital to be responsible to public needs in their control of that capital. With the aid of these tools, citizens acting within their community interests, private lenders, and often government agencies as well, weave together the threads of reinvestment which are needed to repair the torn fabric of economically depressed communities. The fabric is softened and made comfortable by the freedom which these tools allow in hand-tailoring the cloth to fit the local community needs. The fabric is strengthened and made firm by the creative tensions between the public and private sector goals.

The HMDA is used to create funds for economic development as well as housing, but it is limited by several major problems. The HMDA does not cover rural lending, the Veteran's Administration, commercial lending, or mortgage banking companies. These omissions seriously reduce the potential of the HMDA to leverage private investment to meet housing and economic development needs.

Finally, groups using the HMDA are concerned that in spite of its value and growing regular usage, it is not a permanent law.

HOME MORTGAGE DISCLOSURE ACT
SURVEY - 1985

INTRODUCTION

The Federal Home Mortgage Disclosure Act was passed by Congress as part of the Housing and Community Development Act of 1974. It was renewed in 1980 for an additional five years. Bills have been introduced to renew the act again in 1985. The law is intended to provide public records of housing loans made by commercial banks, mutual savings banks and savings and loan associations. It covers all of these financial institutions with assets in excess of $10 million having branches or a home office in a metropolitan area (a Standard Metropolitan Statistical Area (SMSA) as defined by the U. S. Bureau of the Census).

Each lender must compile an annual report of single-family mortgage loans, multi-family mortgage loans and home improvement loans originated or purchased. Single-family mortgage loans must also be defined by owner-occupied and non owner-occupied status and by status as either government insured or conventional loans. All loans are reported by census tract. In addition the reports of all lenders covered by the HMDA are aggregated by the Federal Financial Institutions Examination Council, which produces an aggregate report for each SMSA. These reports also include some data on the economic, housing, and racial characteristics of the census tracts in each SMSA. In each SMSA there is a public depository where citizens can come and examine or copy the aggregate report and individual lender disclosure reports for that SMSA.

This working paper on lending and disclosure data uses is a follow-up of the extensive national studies of Home Mortgage Disclosure Act (HMDA) and other mortgage disclosure data uses carried out by the National Training and Information Center (NTIC) under contracts with the U. S. Department of Housing and Urban Development in 1977 (contract #H-2666) and again in 1979 (contract #H-5106). Building on those studies, NTIC and the Cooperative Community Development Program carried out a shorter survey of uses of lending data designed to monitor the patterns of growing uses defined by these earlier reports. Specifically, this present survey is designed to review five things:

1. The level of use of the Home Mortgage Disclosure Act;
2. The types of uses of such data;
3. The trends in using the HMDA;
4. The impact of disclosure data uses on leveraging private investment; and
5. The issues and problems in using the HMDA.

Calvin Bradford, co-author of this report, worked as a project director on the HUD contract with NTIC for the 1977 HMDA study and consulted with NTIC on the 1979 study. In the winter of 1985, NTIC sent out a short survey form to groups which were identified through its technical assistance network contacts and activities and through lists of groups involved in Community Reinvestment Act challenges as having used the HMDA in some way. The Appendix to this report is a composite list of the organizations, researchers, and coalitions which have been identified through these three surveys as having used mortgage and disclosure data at least once for housing and community development activities.

The Cooperative Community Development Program, under the direction of Calvin Bradford and Paul Schersten, tabulated the results of the 1985 survey by NTIC and contacted a sample of users to verify the information and to obtain more detailed profiles of a range of uses which represented the diversity of users, applications, development activities, and the geographic spread of the organizations involved.

The recent NTIC survey and the telephone profiles obtained by the Cooperative Community Development Program are, by design, more limited than the original 1977 and 1979 surveys. It is always nice to be able to add some precision through more extensive surveying and follow-up interviews or site visits. However, such a process could be endless, as new uses are continually being identified. The authors feel confident that these survey data, in their present form, provide sound guidance for policy related to disclosure data and its uses in housing and community economic development. The patterns of uses, the growth of uses, and the patterns of issues related to the continued use of disclosure data are quite clear and dramatic.

NUMBER OF USES

There are no requirements which create public records of HMDA uses. Many organizations not only use the data in their own activities, but they publish reports which are, in turn, used by many other groups. Of course, there is often no record left to indicate all the groups which use a report or study. Indeed, some groups use HMDA data and studies without any contact with the groups which originally did the studies or produced the publication and without other contact with groups also using these data. This informal sharing and incorporation of existing studies is a very productive process for expanding HMDA uses. It is efficient for the many groups which save the time and expense of doing all over again work which has been done once by someone else. However, it is not ideal for purposes of trying to research and document HMDA uses.

The 1977, 1979, and 1985 surveys all tracked users through records (where some type existed), references, and contacts in housing and community development networks. This was considered the most valuable and cost effective method for identifying uses. But in a system where lenders and public depositories keep few records of people using the data and where informal sharing of data and reports is the norm among community organizations, any survey will surely miss numerous uses of HMDA data. We have found that even in cities where the networks of community groups are quite sophisticated and where several organizations are trying to monitor lending and HMDA uses, one can locate additional local uses when one has the time to make extensive additional surveys.

One must remember, therefore, that all the numbers reported through the surveys are clearly undercounts of the actual number of uses. In addition, there are extensive uses of HMDA data by regulatory agencies and individual lenders which are not included in the surveys. We estimate that among all these users there are about 7,500 individual uses of the HMDA each year. Again, we point out that as large as this number may seem, it is actually a conservative estimate for several reasons which are addressed in detail in the following sections.

1. Use of the HMDA by Regulators

The largest single use of the HMDA is probably its use by government agencies in the process of regulating financial institutions. The Community Reinvestment Act (CRA) requires all lenders to serve the credit and service needs of their local communities. In reviewing a lender's performance under the CRA, examiners are trained to use a number of resources, including the HMDA data. Therefore, the HMDA should be used in reviewing the performance of commercial banks, mutual savings banks and savings and loan associations in the metropolitan areas (SMSAs) covered by the HMDA law.

The federal financial regulatory agencies which regulate these institutions with respect to the CRA publish no reports of the extent and range of these HMDA uses. A 1982 report to the Federal Financial Institutions Examination Council (JRB Associates, "Final Report to the Federal Financial Institutions Examination Council - Section 340E, Fair Housing Lending Study"), estimates that there are 7,562 lending institutions covered by the Home Mortgage Disclosure Act. These numbers do change somewhat each year with new charters, mergers, and acquisitions. Based on this number, however, and on examination schedules for these institutions, we estimate that there may be about 3,500 to 4,000 uses of the HMDA data each year in these CRA compliance examinations.

2. Use of the HMDA by Lenders

Banks and savings and loan associations are reluctant to make their own research and marketing practices known to the public. Generally, when they are surveyed, they decline to respond to questions of their own use of the HMDA. However, some lenders do concede that they use the HMDA. Talman Home Federal Savings and Loan of Chicago, for example, uses the HMDA to analyze the housing market, as do several government agencies and many community development groups. We presume that many other lenders use the HMDA in similar ways, but are reluctant to disclose their business and marketing practices publicly.

Not only do regulators use the HMDA data to assess a lender's performance under the CRA, but many lenders also appear to use, at least, their own HMDA reports in reviewing and commenting on their own performance in their public CRA reports and files. No attempt was made in the present NTIC survey to examine all the public Community Reinvestment Act files of the approximately 7,560 lenders in metropolitan areas covered by both the HMDA and the CRA.

The experience of the Cooperative Community Development Program, as well as our understanding of the experiences of other technical assistance organizations working with individual CRA files, indicates that many lenders do review their own HMDA reports. They are frequently included in the CRA public files, at times with comments on the patterns and the identification and service of local housing credit needs. It was, of course, one of the original intentions of the HMDA that lenders would examine their own lending patterns and relate them to community needs. The inclusion of HMDA reports in the CRA files is some measure of the success of this policy. Also, our own extensive range of interviews and discussions with bankers across the country since the HMDA was first passed indicates that they have frequently used the HMDA reports to review their lending patterns even if no indication is recorded in the CRA files. Therefore, it is surely conservative to estimate that at least one-fourth of all lenders covered by the Act use the HMDA reports to review their own, or their competitors', performances. This would be about 1,890 lenders using the HMDA for their own purposes.

3. Community, Government, and Other Uses of the HMDA

Through the 1977, 1979, and 1985 surveys, 344 organizations and institutions have been identified which have used disclosure data once, or on a continuing basis. This is a tabulation of users and represents only a fraction of actual uses. The number of uses is clearly several times this number.

First, as we indicated, there are no formal listing or public records of who uses the HMDA. Very few of the public depositories for the HMDA in each of the covered SMSA's keep accurate records of users, and many keep no records at all. Moreover, we find that many, if not most, groups using the HMDA data continue to go directly to the individual lenders for the HMDA reports. Largely this is due to the fact they can get reports much earlier than they are released to the public depositories. Also, groups dealing with a select number of individual lenders can often get these reports at lower copying costs, or at no cost, from the lender. Moreover, we have found that the existence of these central depositories is not publicized well and, consequently, it is not widely known to all interested groups. In spite of this, The Federal Financial Institutions Examination Council in its 1984 survey of HMDA requests made to the public depositories in each SMSA estimated an average level of 13.7 uses per depository in the last 24 months. This comes out to more than 2,000 uses each year nationally - from this one limited source.

We have indicated above how groups commonly share existing studies and tabulations of HMDA data. Groups share the data among themselves, and the copying and passing on of the data is frequently not tracked or recorded by the groups involved. The consequence of this sharing is that one recorded inquiry for HMDA data from a lender or from a public depository may lead to several uses in the community.

Second, many of the groups identified use the HMDA data repeatedly over time. Probably the most intense user is the Massachusetts Urban Reinvestment Advisory Group (MURAG), in Boston, which assists government and community groups in analyzing lending patterns, in developing reinvestment programs and lending agreements, and in monitoring residential loan activity. Based on its own detailed records, MURAG uses the HMDA over 1,000 times each year. Our own organization, the Cooperative Community Development Program, uses the HMDA about 15-20 times each year in working with local community and development organizations. The National Training and Information Center (Chicago), the Woodstock Institute (also in Chicago), The Pratt Institute Center for Community and Environmental Development (New York), and the Center for Community Change (Washington, D. C.), are examples of other technical assistance organizations which use the data on a continuing basis working with organizations on housing and community development issues.

Public agencies, such as the Neighborhood Development and Employment Agency, in Boston, or the Human Relations Commission, in Gary, Indiana, use the HMDA on a regular basis as well. Agencies such as these use the HMDA for a variety of uses from market analyses to monitoring reinvestment to defining patterns or practice for credit discrimination complaints.

Third, the reports issued by community organizations, the reports issued by these government agencies, and the reports and research documents issued by independent research agencies and technical assistance organizations are commonly used by many organizations. Thus, a single report results in many uses of these data as the report is circulated and used by others. In many cases it is the specific intent of these reports that they be used by others. This is clearly the case in many reports of local government agencies and in the case of reports by technical assistance organizations such as MURAG, NTIC, or the Woodstock Institute, for example. Moreover, this multiple use of studies and reports is very efficient. It is this pattern of multiple uses which is most often disregarded when reports from lenders and depository agencies of the small number of requests for HMDA data are used to imply low levels of HMDA use generally.

Fourth, many of the community groups identified in the surveys are actually coalitions of many groups. In Chicago, for example, the Chicago Reinvestment Alliance which used the HMDA in negotiating $173 million for local reinvestment from three banks actually involved about 65 different organizations. While other coalitions are generally much smaller, coalitions are common users of HMDA in such places as Boston, Philadelphia, New York City, Cleveland, and many other cities. Here the use of the HMDA by a coalition actually masks the many different organizations actually using the HMDA in their own activities as part of this collective effort. In addition, there are statewide and regional coalitions such as the different chapters of Minnesota Citizen's Organizations Acting Together (Minnesota COACT), Citizens for Community Improvement (CCI, in Iowa), Massachusetts Fair Share, or chapters of the Association of Community Organizations for Reform Now (ACORN) or Public Interest Research Groups (PIRGS) in several states and nationally.

The HMDA has become accepted as a major resource for research on home lending and reinvestment. We estimate that the total number of uses by government agencies, technical assistance providers, community organizations, and researchers is more than 2,500 annually.

In summary, we estimate the annual number of uses of HMDA data to be about 3,500 uses by regulators, about 1,890 uses by individual lenders themselves, and more than 2,500 uses by government agencies, researchers and community groups. The total estimate of uses is at least 7,890 annually. This shows that, in spite of the lack of effort on the part of lenders, public depositories and regulatory agencies to make citizens or government agencies aware of the existence and potential uses of the HMDA data, the HMDA is becoming a regular part of the business operations of government, lending, and community organizations involved in housing and economic development activity. This also makes the HMDA one of the most used forms of public data along with data from the U. S. Bureau of the Census, data on trade, the Gross National Product, the Consumer Price Index, and the employment data released by the U. S. Department of Labor, for example.

TYPES OF USES

The 1977 and 1979 surveys defined a broad spectrum of users and uses. Not counting an individual lender's own, private, use of its data and the use of HMDA by government regulators, community organizations are overwhelmingly the largest users. Of the 344 uses identified in the three community surveys, 236 were by community groups or coalitions of community-based organizations. There were 60 government agencies and commissions which used mortgage lending data in their work. There were 29 research and technical assistance organizations. Finally there were 17 other private organizations, mostly newspapers, which used HMDA data in reports and articles. Three associations of lenders used the HMDA in reports and they are included in this other private user group.

1. Community Organization Uses

The major force leading to the creation of the HMDA was community pressure to insure that local housing markets received fair access to mortgage credit. The majority of uses of the HMDA by community-based organizations has always been for the creation of programs and commitments from lenders for credit for housing. The initial efforts were for home mortgage and home rehabilitation funds, simply to insure that lenders did not redline certain city neighborhoods. The most widely-known programs have been in large cities.

One of the first major city reinvestment programs to receive national attention was the Philadelphia Mortgage Plan. Pressured by local community organizations, almost all the major lenders in this city joined the Plan. Through counseling services and changes in underwriting standards to eliminate discrimination against older and minority neighborhoods, the plan has been able to serve a credit demand of almost $117 million dollars since it was created in October of 1975. Since its creation, many different organizations have used the HMDA to analyze local markets, to create programs with smaller lenders, and to monitor the Philadelphia Mortgage Plan.

Of course, the largest national reinvestment program is the Neighborhood Housing Services Program (NHS) which was modeled after a program developed in Pittsburgh. The 1984 Annual Report of The Neighborhood Reinvestment Corporation estimates that over half of the approximately $2.4 billion reinvested in NHS neighborhoods came from private lenders. Only a portion of this is reported in the 1977, 1979, and 1985 surveys. While the HMDA did not create the original model, the HMDA has been a major force in the identification of neighborhoods where NHS programs have been located and carried out. The development of these programs owes much to the existence and continued use of the HMDA.

In New York City, many community organizations such as the Northwest Bronx Community and Clergy Coalition, South Brooklyn AID, and Bank on Brooklyn were able to use the HMDA to challenge several lenders and to develop some of the first programs to deal with a critical shortfall of credit for multi-family buildings. In Cleveland, another host of organizations, such as the St. Clair/Superior Coalition, the Buckeye-Woodland Community Congress, the Union Miles Community Coalition, or Citizens to Bring Back Broadway have used the HMDA over the years to challenge major lenders and to develop reinvestment programs. One project, Bank on Buckeye, now involves four banks in the first multi-bank, community-based economic development corporation. In the Boston area, MURAG has monitored lenders which have been the targets of HMDA analyses and challenges and it estimates that the use of the HMDA has resulted in almost $1 billion in single- and multi-family housing reinvestment there. Recently, the Chicago Reinvestment Alliance negotiated a total of $173 million in reinvestment funds from three major lenders in Chicago.

What the 1977, 1979, and 1985 surveys indentify, however, is the real breadth of uses of HMDA for reinvestment. In Pennsylvania, for example, the HMDA has been used for the creation of mortgage and rehabilitation programs in such places as Harrisburg, Lancaster, and Easton. In Ohio, the HMDA was used to improve lending in Perrysburg, a low-income suburb of Toledo, and in Lima, where one program has resulted in about $7 million in rehabilitation. In Illinois, the HMDA has been used in places such as Evanston, Harvey, and Springfield.

Not only has the HMDA been used in smaller cities and towns in metropolitan areas, but it has often been used to work with smaller lenders, even within major cities. For example, this is the case in Chicago with the Lawyer's Committee for Better Housing which worked with the North Shore Bank to develop lending programs for the community it serves in the city. Of course, in the smaller cities where HMDA has been used, many of the lenders are small.

In summary, the three use surveys identified community uses of mortgage data from Alaska to Florida and from Maine to California. Users were located in 38 states and the District of Columbia. These organizations were located in 117 different cities.

2. Government Agency Uses

The use of these data by government agencies and public commissions, in housing, planning and economic development activities has been slow to emerge. Planning and economic development agencies have generally been slow to develop research and analysis in the area of real estate and business investment conditions. While the emphasis in local development has moved dramatically toward increasing the effort to leverage private funds and investments, planning and development agencies have continued to rely predominantly on census data and local housing and code violation data to determine needs. They have not been particularly productive in developing tools to analyze local economic conditions and to monitor private capital or credit flows. These agencies have guided huge public investments into areas which their measures of need have targeted for economic development while they have generally failed to develop any systematic process to measure the outcome of their efforts to stimulate and leverage private investment.

However, guided in large measure by the activities of community organizations, many planning and economic development agencies have now moved toward making use of HMDA and other data on credit flows a more standard practice. This has been aided by the inclusion of participation in public redevelopment programs as one of the evaluation criteria used by Federal examiners in reviewing compliance with the Community Reinvestment Act. HMDA data represent one of the very few measures of levels of investment in geographic areas. As such, they are a prime source for monitoring levels of reinvestment and the actual results of government efforts to leverage private reinvestment dollars.

The 1985 survey confirms this trend for the use of the HMDA by government agencies. The recent survey reveals that such agencies are learning to apply the HMDA not only to target development to areas where private capital flows are lacking, but to monitor the levels of investment and participation in public programs by the private lending community. The surveys identify special project and ongoing uses of the HMDA in 60 government agencies in such locations as Miami (Florida), Milwaukee (Wisconsin), St. Paul (Minnesota), New Haven (Connecticut), Wilmington (Delaware), Evansville (Indiana), Kalamazoo (Michigan), Pittsfield (Massachusetts), Gulfport (Mississippi), St. Louis (Missouri), Charleston (South Carolina), Denver (Colorado), and Salt Lake City (Utah).

3. Research and Technical Assistance Uses

We have also found that HMDA data continue to be used in a range of research capacities. Most involve direct studies of mortgage lending patterns. Aside from community organizations or economic development agencies looking at lending patterns for reinvestment programs, several civil rights commissions and fair housing groups use the data as background for individual charges of discrimination in lending. This is the case with the Human Relations Commission in Gary, Indiana, for example. Here HMDA is frequently used to examine a lender's loan pattern when a complaint is received. Fair housing groups also use HMDA data to examine more general patterns of lending and possible discrimination and to monitor fair housing programs.

In some cases, HMDA data are used to indicate investment levels and capital and credit problems in research outside of the area of housing and economic development. One example is in Chicago where the Better Boys Foundation in one neighborhood is using the HMDA as an indicator of capital flows in a study on violent crime.

Research organizations and technical assistance providers are finding ways to make HMDA data more useful and to develop more sophisticated analyses than might be undertaken by small community groups. Public Interest Research Groups in several states and national organizations such as ACORN and the National People's Action have encouraged local groups to do their own studies of mortgage lending. In 1978, The National Training and Information Center assembled HMDA data from large lending institutions in eight cities and produced the first multi-city, multi-state study (Perceptions of Risk - The Banker's Myth: An Eight City Survey of Mortgage Disclosure Data). This effort was completed by hand tabulation of HMDA reports, at a time when there was no aggregate reporting system. This raised the possibility of technical assistance groups being able to serve local groups in other cities by carrying out HMDA research and analysis tasks for them.

Last year, the Woodstock Institute, in Chicago, purchased the computer tapes for the HMDA data for the entire country. They are beginning a series of statistical profiles of lending in major metropolitan areas. In addition to supplying analyses for community organizations, they are making a major effort to involve government agencies (which routinely use such computer analyses) in more effective uses of HMDA data in planning and economic development activities. The initial study produced several reports on lending patterns in the Washington, D. C. area. The computer analysis was able to produce individual profiles of selected neighborhoods, area-wide reports on individual lenders, and area-wide reports on aggregate lending patterns. By correlating some economic and social data with the lending patterns, the report concluded that race, rather than economic factors, was the most important predictor of mortgage lending. Access to computer tapes makes possible a broader use of lending data by local government agencies and community groups.

4. Profiles of HMDA Uses

The following profiles of HMDA uses are taken from the follow-up phone interviews from the lists of users generated in the three surveys. The list was selected to represent the broad array of uses identified in those surveys. We have consciously avoided the most widely-known cases, such as those in New York, Massachusetts, or the major cases in Chicago. The point is to show the variety and range of uses generally.

Albuquerque, New Mexico

In its support of the minority communities of New Mexico, the Home Education Livelihood Program (HELP) has engaged in several real estate projects. One of its corporations, Rural Housing, owns 250 apartment units for the elderly and handicapped, and a Head Start center in Lordsburg. The organization is negotiating financing on a second Head Start Center in Portales. All of its projects have been financed by the First National Bank in Albuquerque, evidence of a growing cooperative relationship. HELP has used HMDA statistics to urge First National into a more supportive relationship with the minority community in general. This includes both sponsorship of community activities and more flexible underwriting criteria. At least in part, the bank has worked with HELP and Rural Housing in return for what it sees as assistance in improving its standing in the community.

Chicago, Illinois

The Lawyer's Committee for Better Housing, working in the north side of Chicago, has done extensive research in the past two years on the housing lending performances of several lenders. After finding that lending in general was limited to "a few select census tracts," and that there was practically no multi-family lending going on, the Committee reached an agreement with the North Shore National Bank. The bank will provide $3 million, for the purchase and rehabilitation of multi-family structures and the rehabilitation of single-family homes. There is also a separate agreement with the Devon Bank, which will provide $100,000 toward local commercial development efforts.

Chicago, Illinois

One of the more interesting uses of the HMDA involves work being done by the Better Boys Foundation, in the North Lawndale neighborhood of Chicago. Through its Delinquency Prevention Project, funded in part by the Justice Department, the Foundation is studying the impact of institutional decisions on violent juvenile crime. Researchers are using the HMDA figures from the three most important lenders doing business in North Lawndale as a basis for analyzing economic flows into and out of the neighborhood.

Cleveland, Ohio

Cleveland has been the site of another far-reaching coalition effort in dealing with several local lenders. The St. Clair/Superior Coalition, Union Miles Community Coalition, Citizens to Bring Back Broadway, and the Buckeye-Woodland Community Congress are only four of at least fourteen community groups and non-profit developers that have been involved. Many sorts of commitments have resulted.

In 1981, the Federal Reserve required Ameritrust in Cleveland to set up a community advisory council, which still meets quarterly. The Union Miles Community Coalition negotiated an agreement with Society National Bank for about $3.5 million in home rehab and mortgage loans. In its dealings with National City Bank, Citizens to Bring Back Broadway has acquired $600,000 for the renovation of a multi-use building and $550,000 for the renovation of a motel for transitional housing for battered women. The Buckeye-Woodland Community Congress reached a creative agreement with four lenders, which purchased $70,000 of stock and helped set up the Buckeye-Woodland Community Development Corporation. The banks have six representatives on the CDC's fourteen-member board, and the banks pay for rent and copying expenses. As a result of this partnership, many homes have been constructed and rehabilitated. This community development corporation is one of several programs which are all part of the umbrella project called Bank on Buckeye. As another part of this project, for example, a job training program has resulted in 62 community residents finding work.

Des Moines, Iowa

Citizens for Community Involvement of Des Moines withdrew a CRA challenge of Scandia Savings and Loan in 1980 after negotiations produced a pool of low-interest home rehabilitation money. Scandia also agreed to make application to the Iowa Housing Finance Authority BMIR bond program. In addition, in its efforts to monitor local lending and develop reinvestment programs, CCI requested, and became, the local depository for HMDA data.

Duluth (and the Iron Range Communities), Minnesota

United West End COACT, a chapter of Minnesota COACT (Citizen's Organizations Acting Together) used the HMDA soon after it was first created to get local lenders to reinvest in the housing in their section of Duluth. Greater Duluth COACT has continued to use HMDA data to monitor local home lending. The logging and mining operations in the Iron Range of Minnesota (to the north and northwest of Duluth) have traditionally been the backbone of Duluth's economy. Those industries are now severely depressed, as is the economy of Duluth as well. Recently, however, Iron Range COACT, Greater Duluth COACT, and local community, church, and union groups developed profiles of the lending patterns of lenders. They used data from local banks' quarterly Consolidated Reports of Condition and Income (commonly known as Call Reports) which are filed with the appropriate Federal regulatory agency. These reports list total loans and general categories of loans, but provide no information on the location of these loans. Nonetheless, these groups issued reports based on these data. But without actual lending data for their area, critical analysis of lending markets and the development of proposals for lending programs and needs are extremely difficult.

COACT had to depend upon questionable estimates of local lending given by the lenders themselves. Some of these lenders were reluctant to give any estimates initially. Later the estimates they gave seemed unrealistic, but COACT had no data source which could be used to check the estimates. HMDA data could provide a check only for lenders in the Duluth SMSA, and then only on housing loans. The major issues there are about economic development and participation in efforts to maintain and develop the local and regional economy. Outside of Duluth, as well as in the rural areas where COACT is active, community organizations trying to intervene in critical economic problems are not served by the HMDA. They have no data for critical farm and commercial lending patterns. In the farm communities where COACT chapters are active, HMDA provides no information about critical housing and economic development capital flows.

Easton, Pennsylvania

Easton is a city of around 30,000 near Allentown. Using the HMDA, the Coalition of Religious and Civic Organizations (CORCO) discovered in 1980 that the First National Bank of Allentown, which has a branch in Easton, had made very few loans there. Negotiations produced a substantial $7.5 million three-year commitment to the city, with 80% of the money going to first-time homebuyers and the rest to commercial rehabilitation. The funds, at one or two points under prevailing interest rates, were used quickly, leading the bank to realize a market existed where it had believed none did. The bank thanked CORCO for its efforts. Since the end of the formal agreement, the bank has been doing substantially more business in Easton, mostly by utilizing more flexible underwriting criteria.

Gary, Indiana

The City of Gary's Human Relations Commission monitors the reinvestment performance of all the city's lenders on a constant basis, for a variety of purposes. Using both the HMDA and the CRA, one result of their activity has been a city government and lending community increasingly aware of the importance of reinvestment issues.

The Commission commonly investigates charges of discrimination against lenders. Its staff use the HMDA statistics to provide a background on the general level of lending in a complainant's community, as well as on the performance of a particular institution.

Each year, the Commission produces an HMDA-based report on lending patterns in Gary. Commission staff meet one-on-one with lenders to discuss performance and changing community needs. Recently, at least one bank has agreed to share its CRA assessment factor ratings with Commission staff. The Commission sends copies of the annual analysis to Federal regulators and state legislators. This past year, the FHLBB arranged a meeting with several Gary lenders to discuss the findings.

The Commission has had an effect on the performance of several institutions. One Savings and Loan recently established an affirmative marketing strategy. Three institutions are talking about establishing underwriting criteria that would enable them to make loans to homes with assessed values below $30,000. The Gainer Bank had not been making mortgage loans at all, and recently resumed such lending. The Commission staff are sure their activities were one cause of that change. Finally, the Commission prods lenders to take part in Indiana Bond Fund mortgage programs as they occur. Presently, the Commission is urging participation in an upcoming rental rehab program.

Harrisburg, Pennsylvania

In 1979, the Harrisburg Fair Housing Council brought a CRA challenge against the Dauphin Deposit Bank and Trust which resulted in a commitment of $5 million in low-interest mortgage money and $700,000 in housing rehabilitation money for the period 1980-1983. Before that agreement ended, Dauphin indicated it wanted to extend the program for another three years, and expand the mortgage commitment to $6 million. The bank was satisfied with the level of profit they were able to make, and the dialogue in the community has increased as well. During the entire period of the agreement, there has been a community review council monitoring the bank's general performance, and the bank has had a full-time staff person acting as liaison with community groups. The cooperative relationship has begun to extend into the area of economic development, too. It is expected that the next three-year agreement will include some commercial aspects.

Lancaster, Pennsylvania

In one of the smaller cities affected by the Home Mortgage Disclosure Act, Central Penn Legal Services used the legislation to reach agreements with two banks. The Fulton Bank agreed to regular community monitoring of its performance, and also agreed to help with financing for families buying into Hillrise Mutual Housing, a cooperative housing project. The bank financed non-recourse share loans of $1500 each to 150 families. The Hamilton Bank agreed to get involved in a FNMA program for housing rehabilitation on 38 projects. Also, their Crockett Mortgage Company, a subsidiary not legally covered by the HMDA, agreed to make disclosure reports.

Lima, Ohio

The Rehab Project in Lima has been the first successful housing rehab effort after several other failed attempts in the late 1960s and early 1970s. Starting in 1977, the Project (with start-up capital provided by the Catholic Campaign for Human Development) enlisted the cooperation of all eight lenders in Lima. The group used the HMDA statistics to dramatize the need for rehab loans in the city, and the CRA to ensure the lenders' serious attention.

During the 1980s, the Rehab Project has accomplished about $7 million of rehab in Lima, using loans from the eight lenders and volunteer labor. The volunteer labor is an essential ingredient. According to the leaders of the Project, the lenders were correct in their contention that, in most cases, normal rehabilitation projects, including full labor costs, would simply not work in Lima. The value of most homes would not justify the loans. With the volunteer labor, however, the Project is able to act as a "marketing arm" for the lenders, packaging projects that are always unique.

The Rehab Project is involved now in negotiating with lenders and developers on a joint commercial/multi-family project. This project will use both lender and tax-exempt financing.

Long Beach, California

The URSA Institute, a consulting firm from San Francisco, used HMDA data on all lending institutions in Long Beach in the process of preparing a housing strategy for the city. The specific focus of the strategy was housing for low- and moderate-income residents. In preparing the strategy, the consultants did an analysis, by Zip Code, of the sorts of credit apparently available for both home purchases and rehabilitation. The analysis has resulted in several housing programs that were more sharply focused than they might otherwise have been.

Milwaukee, Wisconsin

The Cooperative West Side Association (CWSA) used the HMDA to discover and help prevent the misuse of a government program by real estate speculators. Researching 1984 statistics, the Association discovered that 38 of 39 rehabilitation loans made by Park State Bank went to non-owner-occupants. Using this HMDA analysis as the basis for further research, CWSA discovered that many of these loans were going to "cash brokers," who were using cash to buy homes foreclosed by HUD, then getting loans for rehabilitation from local lenders. Rather than actually renovate the homes, they would sell them through mortgage bankers to low-income families who often could not support the purchase. The cash brokers would use the rehab loans to pay cash for their next acquisition. Their profit came from the difference between the purchase and sale prices.

The bank agreed to change its lending procedures to guard against this abuse. CWSA also obtained a small grant from the bank for its work. Now, CWSA is working with Midtown State Bank for business facade rehab loans. They are also negotiating with the bank to become a partner in a development corporation.

Salt Lake City, Utah

In 1981, the Salt Lake City Redevelopment Agency used the HMDA to establish a housing rehabilitation program that is still in existence. An investigation of HMDA data revealed that it was apparently very difficult to get second mortgages for rehabilitation in certain sections of the city. Using the information as a lever, the Agency convinced Zions National Bank to begin purchasing rehab loans made by the city. That first year the program operated so well that the bank decided it was advisable to issue and market the necessary housing rehabilitation and home improvement bonds itself. It has been doing so ever since. Since 1981, the mechanism has produced over $10 million of rehabilitation in the affected neighborhoods.

Toledo, Ohio

In the early 1980s, a coalition of groups in Toledo began using the HMDA to deal with a variety of investment issues. Groups involved included the East Toledo Community Organization, the Ohio Public Interest Campaign, and the Greater Toledo Housing Coalition. Initially, the groups discovered that the Ohio Citizens Bank had excluded a small section of a lower-income suburb, Perrysburg, from its lending area in its CRA statement. Negotiations led to its inclusion. After using the CRA and HMDA to gain a "seat at the table," the coalition began the long job of addressing commercial credit and development needs. The group knew that no industrial revenue bonds (IRBs) had ever been issued in the parts of the city with which they were concerned. An agreement included a commitment on the part of Ohio Citizens Bank to co-sponsor training sessions for the local business community on the use of such tools.

Since the initial campaign, IRBs have been issued in some areas of concern, and the community groups have been developing an extensive economic development strategy while expanding their dialogue with the local government as well as with the banks. Their monitoring of the HMDA and CRA performance, which provided the initial entree to the financial system, continues as an important part of the reinvestment effort.

Washington, D.C.

Work done by the National Association of Housing Cooperatives (NAHC) has had a national impact. Limited-equity cooperatives are becoming an increasingly important form of housing for the low-income. The limited-equity feature means that the buildings are removed from the speculative market, providing for long-term affordability. In 1984, NAHC was involved in research in support of Federal funding for cooperatives. By using HMDA statistics on a nationwide "spot" basis, NAHC was able to show that there is very little private financing available for cooperatives. The research helped produce support for Federal funding for cooperatives. What the research helped produce was the FNMA Shareloan and FHA 203(n) Shareloan programs, which leverage private funds for the purchase of shares in cooperative housing.

Wilmington, Delaware

The Department of Real Estate and Housing of the Wilmington Planning Office makes regular use of HMDA. Their research led them to move the corporate account of the Wilmington City Housing Corporation to some institutions that had been aggressive in lending in the community. They have based their decisions on where to place mortgage revenue bonds on the same considerations.

TRENDS IN USING THE HMDA

This section is designed to highlight special features of the use of the HMDA. The identification of special trends, should not obscure the range of existing and possible uses of the HMDA and the creative value it has as a tool for reinvestment. The profiles above attest to the wide and diverse uses of the HMDA. On the other hand, the origin of the HMDA was in the concern of residents of minority and low- and moderate-income communities that they were unfairly denied home mortgage and rehabilitation loans, both single-family and multi-family. The community uses of the HMDA have always centered on the effort to increase the flows of private lending in these areas in general. This section simply defines patterns of common usage which go beyond that fundamental use of the data.

1. Government Uses

It is important to reiterate at this point that the 1985 survey confirmed the trend toward the use of HMDA data in the operations of government agencies. Of course, the largest and most far-reaching use is by the federal and state institutions regulating financial institutions. Second, there is the use of HMDA data as part of local government efforts to analyze capital markets, to develop local programs involving the private sector lenders, and to monitor those programs and the reinvestment which accompanies government program efforts and assistance. In this respect, the HMDA provides a tool for leveraging private dollars. It provides some data critical for sound planning, management, and evaluation of local economic development policies and programs.

In the case of its use by the regulatory agencies, the HMDA provides a standardized form of data in the evaluation of local lending efforts. In the case of its use by local economic development, planning, fair housing, and other government agencies, the surveys indicate growing use, but in an extremely varied and diverse form. Presumably, as the data are more commonly used by these agencies, the planning professions will develop more standardized methods for their use. However, the diversity of local uses also attests to the extent to which the HMDA has been invoked as a single tool useful in a wide range of activities, programs and policies.

2. HMDA Uses for Housing Development

The second trend evident in the 1979 survey and now firmly established in the 1985 survey is the use of HMDA data not only for increasing the level of individual, single-family home loans, but for the financing of low- and moderate-income housing developments. Over the last decade, community-based organizations have created many different types of non-profit housing development corporations which have been successful in implementing programs for low- and moderate-income housing production and rehabilitation. As this has taken place, community demands for mortgage and rehabilitation credit have been paired with sound proposals and loan applications from non-profit developers within the community.

There have been community-based developers and non-profit developers active in the market for a long time. But over the last decade, the neighborhood movement, aided by the resources of the HMDA and the CRA, has been able to create a supply of funds which make possible the proliferation of community-based housing development corporations on a wide scale. The growth of these housing development corporations has also been due to the maturing and sharing of techniques which non-profit developers can use to package government programs and real estate tax policies into sound projects which can attract private financing. Unlike many of the non-profit "developers" of housing in the past which used government programs such as Section 221(d)3 or the subsequent Section 236 to act as conduits for private developers and tax syndicators, a growing portion of today's community-based enterprises exercise all the skills of private developers. They have developed sophisticated techniques to use limited public resources to leverage private dollars. In many cases, they have developed active networks of developers sharing resources, techniques, and experience.

These developers, engaged in new housing development and rehabilitation for low- and moderate-income tenants, represent a form of an effective and sound demand for housing credit in previously disinvested communities. They are knowledgeable about markets, construction, marketing, and management. Their sophistication in financing leads them to use a wide range of credit services, such as land acquisition loans, share loans, or short term operating loans financed through the syndication proceeds of new developments. Finally, their understanding of the community and its needs contributes to the soundness of their projects.

While there were some direct housing development programs identified in the first survey of HMDA uses in 1977, we find that by 1985, a large portion of the reinvestment programs created through uses of HMDA either expand into additional programs for non-profit developers or begin with this as part of the initial program. This is true not only in the large cities such as Boston, Cleveland, Chicago, or Philadelphia, but in the smaller cities as well. Moreover, even in the smaller cities, these programs show a creative hand-tailoring which blends local needs with private investment in ways which are often impossible simply using government programs.

Examples of these activities are reflected in the profiles above. The Rehab Project in Lima, Ohio, acts as a packager and manager of rehab loans which are implemented with volunteer labor to make them feasible. In Albuquerque, New Mexico, HELP used the HMDA to develop a relationship with a lender to finance housing for the elderly and handicapped and to build a Head Start Center. In Lancaster, Pennsylvania, loans are used to help lower-income people buy shares in cooperatives. In addition, the use of the HMDA by the National Association of Housing Cooperatives assisted in the creation of the FNMA Shareloan Program and the FHA 203(n) Shareloan Program, both of which leverage increased private lending for cooperatives.

3. HMDA Uses for Economic Development

The clearest trend indicated by the 1985 survey is the increased use of the HMDA in the creation of community economic development programs. On the other side of the coin, this new use points out one of the major problems with the HMDA - the omission of commercial lending. As community action on disinvestment evolved into a vast expansion of community-based housing developers, so it has also evolved into a burgeoning cadre of community-based economic development organizations. While economic development is carried out in a wide variety of activities, the term Neighborhood-Based Development Organization (NDO) will be used here, as in common practice, to refer to this range of activity.

The largest program for economic development created through the use of HMDA is the $173 million in loan commitments from three Chicago banks to the Chicago Reinvestment Coalition. Here $55 million has been allocated for small business and commercial lending. NDOs were directly involved in the negotiations for this credit. The Chicago Association of Neighborhood Development Organizations (CANDO) was created as a vehicle to help direct funds to specific inner-city economic development needs through existing NDOs. Finally, the reinvestment programs of the three banks included commitments from the corporate foundations and corporate giving programs for a total of $1 million in funds to support the work of the action groups, the housing development groups and the NDOs. Here the lenders matched a private lending commitment for community investment with contributions which support the community capacity to develop the local economy.

Again, while this major agreement and program was developed in Chicago, we find economic development programs to be a common part of HMDA activities in smaller cities as well. The profiles in this report present commercial lending and economic development programs in Easton, Pennsylvania and Perrysburg, Ohio. In Chicago, the Lawyer's Committee for Better Housing commitment of commercial loans from the Devon Bank is an example of such programs with smaller lenders in larger cities.

THE IMPACT OF THE HMDA IN HOUSING AND ECONOMIC DEVELOPMENT

The overall goal of the HMDA was to produce data which would be a resource to create dialogue between the private lenders and the community and government concerning the access to private capital markets. It was further anticipated that where needs could be identified which could be served by the private lending market, the HMDA would help in the identification of these markets, the creation of programs and policies to meet these needs, and the monitoring and evaluation of these reinvestment efforts. One common appeal by community leaders in the initial effort to create the HMDA was, "give us the lending data and we will create the programs to reinvest in our communities."

1. Citizen Participation in Private Development

All of the uses we have identified indicate that the HMDA does act as such a resource. The involvement of community people in the assessment of their own credit needs, the analysis of the performance of local lenders, and the development of policies and programs to meet these needs on a basis which is economically viable for the lenders is the best single indicator of the larger success of the HMDA as a major resource for private reinvestment dollars. In addition, the HMDA has become a critical tool in the regulation of financial institutions to hold them accountable to serve community needs as they also seek sound and profitable markets.

What is most important, however, is not something which can be expressed simply in counts of uses or users. The use of the HMDA has allowed people to become active citizens, not only in the political process but in their local economies as well. The evolutionary efforts of the late 1960s and early 1970s to develop community-based economic development capacities have accelerated rapidly with the advent of the HMDA. The HMDA has made not only housing issues but economic development issues as well a matter of citizen participation and debate. The dialogue created between the public and the lending institutions around the HMDA has drawn the lending institutions into serving community credit needs and drawn the community into public discussion about the role and resources of the private capital markets. Clearly, many of the community development and reinvestment programs created around the country by those who have never directly used the HMDA find their genesis in the dialogue created by the HMDA.

The programs created out of negotiations with lenders arising from HMDA analyses have created a plethora of "public/private partnerships". These programs appear to be on the cutting edge of efforts to work out the proper roles and tensions between the citizens, the government, and the private sector in our democratic form of government and free enterprise capitalistic form of economy. The HMDA and the CRA provide simple tools which create public access to lending data and which require the managers of government-protected pools of capital to be responsibile to public needs in their control of that capital. With the aid of these tools, citizens acting within their community interests, private lenders, and often government agencies as well, weave together the threads of reinvestment which are needed to repair the torn fabric of economically depressed communities. The fabric is softened and made comfortable by the freedom which these tools allow in hand-tailoring the cloth to fit the local community needs. The fabric is strengthened and made firm by the creative tensions between the public and private sector goals.

2. Leveraging Private Investment

Combined with the Community Reinvestment Act, the HMDA may have provided the single most efficient force in drawing private dollars into community development and reinvestment. Estimating the efficiency of HMDA uses requires sound assessment of all the costs associated with the HMDA uses as well as sound information on the resulting levels of private investment. Given what data are available in this study on some levels of reinvestment, it is hard to conceive of any form of collecting data on the cost of the HMDA which would undermine its overall role as an extremely efficient device for leveraging private investment.

Just as no law requires all uses of the HMDA to be recorded, likewise there are no complete records of the total amount of dollars in special loan programs and agreements resulting from uses of the HMDA. The surveys were not always able to get figures on total loan amounts for these programs. Based on the figures which were reported by many of the contacts identified in the three surveys (see Appendix for this list) there has been about $1.6 billion dollars committed for reinvestment in special loan agreements and programs. This is clearly only a partial total. It does not, for example, include any part of the $117 million in loans from the Philadelphia Mortgage Plan, which is, at least in part, a product of the HMDA effort.

In addition to special loan programs, the most common use of the HMDA was simply to convince lenders to improve their general lending levels in certain areas. Few organizations have had the resources to monitor all of these lenders. In Boston, the Massachusetts Urban Reinvestment Advisory Group has used its resources to monitor the lending levels of institutions which were challenged for their previous lack of lending. Using data for the past five years alone, MURAG estimates that there has been almost $1 billion of general reinvestment.

It is clear from this partial reporting and monitoring that the total amount of money reinvested as the result of some effort using the mortgage disclosure data must be in the several billions of dollars - clearly in excess of $3 billion.

There are no line item costs in any federal budget for the HMDA. Lenders pay to assemble their own data, and the Federal Financial Institutions Examination Council pays to produce the aggregate reports. These costs are either directly or indirectly paid by the institutions covered buy the HMDA. Thus, in trying to determine the costs of HMDA, we come to the issue of its cost to the lending institutions. In reviewing the study of the lender's costs for collecting and publishing disclosure data done by JRB Associates for the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation in November of 1979 ("Analysis of Home Mortgage Disclosure Act Data From Three Standard Metropolitan Statistical Areas - Costs of Compiling Home Mortgage Disclosure Statements", FHLBB contract #677040) we find that the small samples taken in three metropolitan areas (44 lenders) are too small and isolated to produce any reliable estimates of average costs for collecting the HMDA. In fact, in each of the three areas, the lenders surveyed were actually reporting costs of producing state and/or local dislcoosure requirements which were more extensive than the HMDA. In addition, all cost estimates were made by the lenders, with no independent assessment of their accuracy. This raises serious questions since the forms used in the study asked for reporting of costs in hours and in specific categories of collection and production which are far too specific. It is unlikely that any lender actually keeps personnel and cost records in such detail and in these categories. In reviewing the documents submitted by lenders in the 1980 Senate hearings on the extension of the HMDA, one finds that there is no real agreement on how to account for these costs. Finally, little effort has been paid to trying to determine efficient ways of collecting and producing data as opposed to simply accepting whatever cost estimate and methods lenders report.

For example, as part of the 1977 HUD-funded study on HMDA uses, estimates were made of the costs and problems involved in different methods of collecting HMDA data. In his statement before the Senate Banking, Housing and Urban Affairs Committee oversight hearings on the Home Mortgage Disclosure Act and the Equal Credit Opportunity Act, in November of 1976, Calvin Bradford noted that the method of trying to computer match loan addresses to census tracts at the time of compiling the HMDA reports (a method commonly used by lenders using computer systems) created inaccuracies and additional expenses. He recommended that lenders simply purchase existing coding guides which are printed like Zip Code directories in which one looks up an address. Using these directories, a loan officer can code a loan at the time of application in about 20 seconds. Such an additional time factor to produce an accurate coding is actually negligible in cost when one considers that a loan officer takes only a few applications each day. There are directories especially made for this loan coding process by companies such as Alcon Data Services, part of the Dun and Bradstreet Financial Services Industry Group. These directories will generally last for the decade between census periods, aside from service to add new streets in developing areas. The costs range from $400 for the largest metropolitan areas to $200 for the smallest.

Whatever the projections of cost seem to be, they must be very small indeed when thought of as leveraging several billions of dollars in reinvestment. Commercial loans do not have the volume of home loans. Their inclusion in disclosure data would not create any massive finanical burden, especially when one considers the unmet potential for developing commercial loan reinvestment programs at any scale approaching the mortgage and rehabilitation loan programs which have already resulted from the HMDA.

If and when adequate funding for further research is forthcoming, reseachers need to make systematic attempts to evaluate both the full extent of reinvestment resulting from the HMDA as well as to develop estimates of collection and production costs which reflect efficient and reasonable processes, regardless of what costly systems some lenders may adopt on their own accord.

ISSUES AND PROBLEMS IN USING THE HMDA

There are problems with the HMDA which have been indicated in the three surveys. Some problems have persisted throughout all three survey periods. Others have to do with changes in the banking structure and with the increased efforts of local governments and community organizations to participate in economic development activities. The major problems are defined in this section.

1. The Lack of Commercial Data

In spite of the efforts of organizations to use the HMDA in economic development activities, they are severely hampered by the lack of data on commercial lending. In Chicago, there is a local ordinance which requires lenders seeking public deposits to disclosure commercial, as well as mortgage, loans. Review of these data over time by community groups indicated to these groups that commercial lending patterns paralleled the patterns of disinvestment documented by HMDA and local mortgage disclosure data. Where other groups have negotiated commercial lending programs with lenders, it has typically come from ad hoc discussions of the need for commercial lending, or from the expansion of existing housing programs or program negotiations.

The lack of commercial lending data represents a problem requiring public disclosure even more clearly than did the lack of mortgage disclosure. There are legal records of mortgage loans. Prior to the creation of the HMDA, some organizations, with massive efforts and often assisted by special funding, were able to assemble profiles of mortgage lending activity. The creation of the HMDA, however, made these records available to all citizens in every major SMSA in the country.

Of course, the HMDA provides critical data which almost no public records can produce - at least without an expensive and individualized property-by-property search process. The HMDA provides separate information on government and conventional loans, a key category for assessing redlining patterns and discrimination by loan types. The HMDA provides categories for owner-occupied and non owner-occupied status, giving another key variable in potential patterns of disinvestment. Indeed, our profiles show that one group in Milwaukee, for example, used this set of categories to uncover a major abuse of FHA programs there. Also, the HMDA provides data on multi-family versus single-family loans, without confusing loans on commercial and residential properties as is typically the case in legal record systems. The need for disclosure of commercial loans was the single most common problem cited in the 1985 survey. Finally, HMDA has the advantage of being a record created by the lender itself, thus eliminating a common pre-HMDA argument by lenders that public data sources were not accurate.

Aside from real estate loans secured on commercial properties, virtually no public data exist on the location of commercial loans. Even in the case of commercial real estate loans, several sets of public records may need to be checked to match files on the type of property (as commercial) with a loan record. In some cases, the issue can only be settled with a visit to the property in question. Consolidated Reports of Condition and Income (for banks) and Quarterly Financial Reports (for savings and loans) filed with the Federal regulatory agencies do define the total amounts of loans in some categories of commercial lending, but they give no indication of where those loans were made. In 1980, Calvin Bradford conducted extensive interviews with lenders in two rural counties of Minnesota as part of a study of rural CRA compliance funded by the Comptroller of the Currency. Minnesota COACT conducted interviews with lenders in the Iron Range and Duluth SMSA in the last two years. The Cooperative Community Development Program is now conducting interviews with a range of lenders in several counties in Minnesota. All these interviews suggest that no reliable assumptions can be made about how to allocate data from Call Reports on levels of lending with the location of those loans. Only actual locational data will serve that purpose.

Thus, without public disclosure requirements, there is virtually no way to track the location or size of commercial loans. No independent analysis can be made of the markets and how they are being served. One is left to depending upon the lender's own evaluation of its lending record. Past experience with home lending and the HMDA and CRA suggests that the public needs more than a lender's private statements of service to define unserved markets and to monitor activity.

Business finance and investment in job creation and retention are critical roles which private lenders serve in local economic development. Community organizations and local governments have learned to turn to the private sector for basic development needs. They have developed skills in using limited public resources to leverage private investment. First these skills were developed and tested in the area of housing. Now as both governments and citizens are developing the capacity to become partners and participants in the private development process, they are finding that the lack of information about commercial lending patterns is a real problem in the basic planning and development of policies and programs, and in the measurement of success in leveraging and reinvestment. While the Community Reinvestment Act requires lenders to serve local needs, the HMDA provides only mortgage lending data to evaluate lender performance. The commercial credit markets are relegated to analysis by rumor and anecdote at a time when the effective use of limited public resources requires detailed accounting.

2. Rural Lending Data Uses

When the HMDA was renewed in 1980, there was considerable testimony in the Senate hearings on the bills (S. 2290 and S. 2291) favoring the extension of the HMDA to rural areas. Obviously, our surveys cannot include actual uses of the HMDA in rural areas exempted from the law. In some cases rural areas of counties are included in SMSAs covered by the HMDA.

A letter from the Legal Assistance Corporation of Alabama was submitted to the Senate Banking Committee in 1980. The letter indicated that in that state the most severe housing problems were in rural areas outside of most of the SMSAs covered by the HMDA. By comparing urban, suburban and rural sections of the counties included in the Montgomery HMDA data, however, the organization found that mortgage lending rates were substantially higher in the urban and suburban areas than in the rural parts of the area. The letter concluded with a note that while a local organization in the rural part of that SMSA was using this analysis to work with local lenders, the groups in rural areas not included in SMSAs have no such resource.

Rural organizations have continually supported the extension of the HMDA to rural areas. In 1980, for example, national rural organizations such as Rural America and the Rural Coalition testified in favor of such an extension. The Rural Coalition, which at that time included about fifty different organizations involved with rural issues, submitted statements and documents from a range of government and community organizations from smaller cities and towns indicating the value of the HMDA and its potential uses in rural areas. These documents included references to conclusions by the Federal Reserve Board that the HMDA was feasible in rural areas and statements by the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation that the HMDA was a valuable tool in assessing compliance with the Community Reinvestment Act, which does apply to rural lenders. Finally, the Rural Coalition cited studies done jointly by Rural America and development agencies in rural areas of South Carolina and Virginia which define the extent of housing problems and need for such resources as the HMDA in those areas.

The Cooperative Community Development Program has considerable experience in working in rural Minnesota on issues of credit and reinvestment. The studies done by Calvin Bradford for the Comptroller of the Currency in 1980, and the studies of credit needs in the Iron Range of Minnesota done by chapters of Minnesota COACT also support the need for disclosure data to define the credit markets both for housing and economic development.

In the past two years, the Mountain Association for Community Economic Development Inc., has developed a set of home loan programs with almost one hundred lenders in rural Eastern Kentucky. The extensive studies they did of the rural housing credit markets would have been greatly aided by HMDA data. Monitoring the results of these programs and assessing their use in other rural areas would also be aided by rural HMDA data. Finally, as issues of commercial credit for economic development activities are being examined in Kentucky, and in the rural areas of surrounding states, a version of disclosure which included commercial lending would be of enormous assistance in the analysis of credit markets and the creation of effective programs to assist in the economic development needs of this depressed region.

Calvin Bradford made an analysis of the data sources on rural credit markets based on his two county (Minnesota) study produced for the Comptroller of the Currency. The report was to assist in training examiners in Community Reinvestment examinations in rural areas. Lack of HMDA-type data was a real problem for examinations. Also, the report indicates the massive levels of direct lending done by Federal Farm Credit System agencies. In urban areas, government programs typically operate as insurance programs for loans made by private lenders. In rural areas, the Federal Farm Credit System includes a series of agencies which are actually direct lenders themselves. Just as HUD has volunteered to supply HMDA-type data for the lenders which make FHA loans, the analysis of credit markets in rural areas would be greatly aided by disclosure data from Federal Farm Credit System agencies.

As the process of deregulation continues and as banks continue to develop resources to participate in large national and international markets, smaller banks or branches of large banks in smaller communities are encouraged to export credit out of local areas into regional markets and into money center banks. Without commercial and rural disclosure, there is virtually no way to track the flows of these funds and to assess the effect of this on local housing, farming, and business credit needs. While the government is asked to make investments to aid the depressed rural economies, the resources of the private sector lenders in this development process cannot be utilized effectively without disclosure data.

3. Lack of HMDA Coverage of Mortgage Bankers

Since the creation of the HMDA, there has been criticism of the fact that it does not extend to mortgage bankers. This is another common problem identified by the three surveys. In 1980, the FHA agreed to supply HMDA-like data for all FHA loans. Since most FHA loans are made by mortgage bankers, this did extend the available data to many mortgage bankers. It is, however, hard to integrate these separate reports into the aggregate lending profiles which include only banks, savings and loans associations, and mutual savings banks.

This FHA disclosure does not cover VA loans or loans supported by the Farmer's Home Administration. In urban areas, the omission of VA loans, which are also originated primarily by mortgage bankers, is a serious issue as VA lending has outpaced FHA lending in many areas in recent years. The lack of coverage of mortgage bankers using VA loans is made more serious by the refusal of the VA to keep any records of its own on the census tract locations of its loans in order to fulfill its obligations for Federal Fair Housing Laws.

Moreover, as the secondary market has changed to provide a larger pool of investors in conventional mortgages, mortgage banking firms have expanded their conventional lending activity greatly. Some mortgage banking companies work completely in the conventional market.

Aside from this continuing lack of coverage of mortgage bankers, deregulation has also resulted in the transfer of much mortgage lending from lending institutions covered by the HMDA to mortgage banking companies and service corporations owned by the parent corporations of banks and savings and loan associations. These in-house mortgage banking companies are not covered by the HMDA. In this regard, there has been a serious erosion of lending covered by the HMDA.

The American Mortgage Banker's Association reports that in 1980, mortgage bankers held 23.5% of the mortgage market ($33.3 billion). By 1983, their share of the market had risen to 29.7% ($67.4 billion). This share continues to rise. Sixty of the largest 100 mortgage banking companies are subsidiaries of bank holding companies or service corporations of savings and loan associations.

The 1985 surveys recorded incidents where community groups seeking HMDA reports discovered that the local lender had withdrawn, completely or in part, from the mortgage market by transferring mortgage lending activity to its own mortgage banking company. There is, of course, no HMDA report for the lending of these mortgage companies. In a test of this trend, inquiries were made to several institutions in the Twin Cities area of Minnesota. We found that in some cases, this shift is even documented in the lender's Community Reinvestment Act statement.

The CRA statement of the First Bank of Edina, a member of the First Bank System which owns banks in five states in the Upper Midwest, reads, "Effective September, 1984, the bank will refer its residential mortgage (sic) to FBS Mortgage Corporation, a wholly-owned subsidiary of First Bank System, Inc. for consideration." This transfer of home lending functions appears to exist, to some degree, for almost all of the banks in the First Bank System, one of the largest holding companies in the nation.

Midwest Federal Savings and Loan Association is one of the largest three savings and loans in Minnesota. Midwest Federal notes in its most recent CRA statement that it will only make adjustable rate mortgage loans through its own offices while referring people to United Mortgage Corporation for FHA and VA loans.

As long as the HMDA does not cover mortgage banking companies, especially those which are part of bank holding companies and savings and loan service corporations, then existing coverage of the HMDA will continue to erode. In addition, this omission sets up a double standard in the area of CRA regulation where the lending patterns of institutions which do not have their own mortgage banking companies (generally, smaller independent community banks) will be subject to HMDA review while those institutions having mortgage banking companies will effectively be excused from mortgage lending altogether.

4. The HMDA Sunset Provision

Finally, the last commonly reported problem with the HMDA is the sunset provision. Groups using the HMDA are concerned that if they develop systems of monitoring and review which use the HMDA, these programs will be vulnerable to elimination if the act is not renewed. They point to the successes of the HMDA and to its use on a regular basis by community organizations, government agencies and, of course, by the Federal agencies regulating banks and savings and loans. There is some indication that fears about the termination of the Act have discouraged wider use of the HMDA by government planning and economic development agencies. Whatever the limitations of this present survey, the power of the HMDA as a tool for reinvestment seems hard to question. The creation of a permanent law could, in itself, contribute to additional use of the HMDA resulting in additional reinvestment.

SUMMARY

In 1985, the National Training and Information Center sent out a short survey to assess uses of the HMDA. The Cooperative Community Development Program, at the University of Minnesota, tabulated these surveys and did follow-up phone interviews with a sample of the respondents. This limited survey was compared to the more extensive survey efforts funded by HUD in 1977 and 1979. This report compares the results of these three surveys in order to define trends in HMDA uses and to assess the impact and problems associated with HMDA uses.

The report concludes that in spite of the limitations in the extent of the 1985 survey, certain trends and impacts are clearly indicated. The HMDA has become a primary resource for regulating the community investment responsibilities of lenders. The HMDA is used by individual lenders to review their own performance. The HMDA is increasingly used by government agencies to develop programs and monitor results in the areas of housing, community economic development, and fair housing. The HMDA has been used by community groups in at least 38 states and the District of Columbia and in at least 117 different cities. The report estimates that there are over 7,500 different uses of the HMDA each year.

The HMDA surveys account for at least $2.7 billion dollars in community reinvestment related to uses of the HMDA, with the real total probably being well over $3.5 billion.

The HMDA is used to create funds for economic development as well as housing, but it is limited by several major problems. The HMDA does not cover rural lending, the Veteran's Administration, commercial lending, or mortgage banking companies. These omissions seriously reduce the potential of the HMDA to leverage private investment to meet housing and economic development needs.

Finally, groups using the HMDA are concerned that in spite of its value and growing regular usage, it is not a permanent law.

APPENDIX

List of Mortgage Lending Data Users From 1977, 1979 and 1985
National Training and Information Center Surveys

ORGANIZATION	USE	RESULT
ALABAMA		
University of Alabama Urban Affairs Dept.	Four year analysis of Birmingham housing market	
Bellamy Community Center	Analysis of local housing markets	
ALASKA		
Coalition for Economic Justice/Anchorage	Analysis of Anchorage housing market	
ARIZONA		
Arizona State University Public Affairs Center	Analysis of housing markets	Findings reported in Phoenix Republic
Arizona Center For Law & Public Interest	Analysis of Phoenix housing market	
CALIFORNIA		
Inland Counties Legal Service/San Bernadino	Negotiations with California FS & LA	Agreed to open branch in an unserved low-income West Side neighborhood
Human Resources Agency, San Diego County	Report on housing markets	Lenders agreed to provide mortgage counselling
Chinatown Community Housing/San Francisco	Analysis of loan distribution in Chinatown area	S & L agreed to $10 million mortgage pool for area
Center for New Corporate Priorities/Los Angeles	CRA challenge: Home Federal S & LA	Lender changed lien-sale policies and created community advisory board
Coalition Against Redlining/Los Angeles	Analysis of L.A. bank mortgage practices	State anti-redlining regs and withdrawal of county funds from redlining institutions
Center for Economic Survival	CRA challenge: Great Western Financial Corp.	
Public Advocates/ San Francisco	CRA challenge: Midland Corporation	
State Office of Fair Lending/Los Angeles	Used in quarterly fair lending reports	
Isla Vista CDC	Analysis of local housing markets	Lender commitments to fund low-income co-op conversions
L.A. Legal Assistance Foundation	Use in legal advocacy for low-income tenants	Lenders agreed to provide relocation costs for displaced tenants

L.A. Community Development Department	Research and analysis tool	
University of California/ Los Angeles	Report: "Financial Institutions and Economic Development in South Central L.A."	Findings used in developing reinvestment strategy for Watts
L.A. Legal Aid Society	CRA challenge: Home Federal S & LA	Advisory board and affirmative action loan programs established
	CRA challenge: San Diego FS & LA	Advisory board and affirmative action loan programs established
Oakland Training Institute	Analysis of local housing markets and public hearings	
Alameda County Legal Aid Society	Anti-redlining suit: American FS & LA	Lender agreed to percentage increase in inner-city loans
	CRA challenge:	
University of Cal./ Davis	Report: "Redlining and Mortgage Lending In Sacramento"	
California PIRG/ San Diego	Task force analysis	Lenders opened home loan counselling centers in target areas
San Diego County Housing & C.D. Department	Analysis of local housing markets	
San Diego Union (newspaper)	Newspaper reports on redlining in San Diego County	
Network Associates/ San Francisco	Housing market analysis and four public meetings	
Citizens Action League/ San Francisco	Analysis of lending records of BankAmerica, Crocker, and Wells Fargo	BankAmerica agreed to target loan programs for low-income areas
URSA Institute, San Francisco	Used to create housing strategy for Long Beach	
CONNECTICUT		
Hartford Areas Rally Together	CRA challenge: Connecticut National	Lender agreed to 13 million low-interest mortgage and HIP program and unlimited small business loans
	CRA challenge: Connecticut Bank & Trust	Lender agreed to $3 million mortgage and HIP program
	CRA challenge: Bank of New England	
Bridgeport Fair Housing Office	Ongoing monitoring of bank lending practices	City cut off deposits from three banks with poor investment records

Trinity College/ Hartford	Analysis of housing markets	Passage of state anti-redlining and disclosure regulations
City Planning Dept./ New Haven	Ongoing analysis of housing markets	Used in targeting public CD funds
Citizens Research Education Network/Hartford	Analysis of local housing markets	
Education/Instruction, Hartford	Report: "Redlining: Fair Housing At Its Worst In Hartford"	
East Haven Shore Line Association	Used in creating neighborhood plan and housing market analysis	
Fair Housing Office/ Hartford	Annual redlining studies	Used in encouraging lenders to fund low-income housing projects
New Haven Planning Dept.	Ongoing local housing analysis	Used to encourage banks to participate in Neighborhood Preservation Program
COLORADO		
CCC of Northeast Denver	Analysis of local housing markets	
Midland S & L/Denver	Market analysis for HIP loans	
DELAWARE		
Wilmington United Neighbors	Analysis of local housing markets	
City of Wilmington Planning Office	Ongoing use in developing neighborhood plans	
Wilmapco/Wilmington	Redlining study	
D.C..		
D.C. Bank Campaign	CRA challenge: Riggs National Bank	
Food & Allied Services Trade Union	CRA challenge: Hemisphere National Bank	
National Council of La Raza	Research of housing markets	
National Assoc. of Housing Cooperatives	Researched local financial institutions	
DC Public Interest Research Group	Redlining anlysis: "Mortgage Disinvestment in the District of Columbia"	

D.C. Neighborhood Reinvestment Commission	Used in development of public sector initiatives to end redlining	Development of housing finance plan including counselling and rehab programs and loan review boards
D.C. Neighborhood Housing Services	Ongoing analysis of local housing markets	
Washington Inner City Self Help	Redlining analysis	Used in securing private home improvement loans
FLORIDA		
Florida Legal Services/Orlando	CRA challenge: Landmark Bank	Lender agreed to mortgage loan program, marketing and review board
James Carras and Associates	Report on housing markets in Broward and Dade Counties	Used by local governments in administering public funds
Dade County Community Development Office	Analysis of local housing markets	
Tampa Bureau of Planning	Redlining study	
GEORGIA		
Metro Fair Housing Services/Decatur	CRA challenge: Dekalb FS & LA	Lender agreed to rehab loan program and affirmative marketing plan
	CRA challenge: Trust Company	
Citwide League of Neighborhoods	CRA challenge: Florida National Bank	
	CRA challenge: Home Federal S & LA	
	CRA challenge: Trust Company	
	CRA challenge: Bank of the South	
Research Atlanta	Analysis of local housing markets	Used in administering city CD funds
ILLINOIS		
Chicago Reinvestment Alliance	Negotiations with 1st National	$120 million low-interest housing and small business loan program
	Negotiations with Harris Bank	$35 million low-interest housing and small business loan program
	Negotiations with Northern Trust	$18 million low-interest housing and small business loan program
Rogers Park Housing	Negotiations with North Shore National	$3 million multifamily purchase and rehab

Forum	Bank	loan pool
	Negotiations with Devon Bank	$100,000 in below-interest business loans to revitalize commercial strip
Northeast Austin Council	CRA challenge: Austin FS & LA	Creation of below market home improvement and mortgage programs, loan counselling seminars
Chicago Neighborhood Housing Services	Ongoing analysis of local housing markets in target areas	
City Planning Dept./ University of Illinois	Report on redlining prepared for Champaign/Urbana City Council	
South Shore Bank	Ongoing use in development and implementation of reinvestment programs	
Southwest Parish & Neighborhood Federation	Analysis of mortgage lending in area	
Evanston Housing Coalition		Denial of entry into Evanston of bank with poor community lending record
Back of the Yards Council	Analysis of lending record of Loomis FS & LA	
East St. Louis Neighborhood Development Corp.	CRA challenge: Mid-Continent Bancshares	
	CRA challenge: 1st National of Belleville	
	CRA challenge: Belleville National Savings	
	CRA challenge: Mid America Bank & Trust of Fairview Heights	
	CRA challenge: Mid America Bank & Trust of Edgemont	
Metropolitan Area Housing Alliance	Analysis of mortgage lending patterns in Chicago	City of Chicago loan disclosure ordinance
Westtown Concerned Citizens Coalition	Analysis of mortgage lending by 20 banks	$1 million low interest mortgage pool with Pioneer Bank
Lutheran School of Theology	Analysis of lending records of 5 Chicago banks	
Housing Resource Center of Uptown	Analysis of lending records of local lenders	Used to select depository for public housing funds
Organizatiion of the Northeast	Analysis of mortgage lending and periodic discussions with lenders	
Organization of	Development of neighborhood	

New City	reinvestment plan	
Uptown Center Hall House	Analysis of local lender attempting condominium conversions	
Logan Square Neighborhood Assn.	Analysis of banks that made loans in neighborhood	
1992 Committee	Determine extent of land speculation by financial institutions	
South Suburban Housing Center	Used to inform realtors and homeowners in ending discrimination in lending	
Talman Home FS & LA	Used in developing marketing efforts and lending initiatives	
South Chicago Savings Bank	Used in designing strategy to improve reinvestment performance	
Northwest Federal FS & LA/Des Plaines	Analysis of lending practices	
The Organization of Palmer Square/Chicago	Negotiations with Liberty FS & LA	Lender agreed to increase increase investment in target area
	Negotiations with National Security Bank	
Lakeview Citizens Council	Annual mortgage investment studies	
Woodstock Institute	Ongoing research of HMDA reports on technical assistance basis	
Community 21/Chicago	Annual redlining studies	
Mid-Austin Steering Committee	Report on lending practices of Citizens National Bank	
Harvey Area Community Organization	Annual reports on mortgage lending in Harvey	
The Chicago Reporter newspaper	1979 article on redlining in Chicago	
The Chicago Tribune	1984 article on redlining in Chicago	
South Austin Coalition Community Congress	Analysis of community reinvestment practices of local lenders	
Chicago Legal Assistance Foundation	Redlining study	
Better Boys Foundation	Research of low-income neighborhoods	

Greater Roseland Organization	Research and public meetings with local banks to promote community reinvestment	
Metro Fair Housing Services, DeKalb	Analysis of DeKalb FS & LA	Lender agreed to marketing program and community meetings
Peoria Journal	1979 article on redlining	
Neighborhood Action Coalition (NAC)/Peoria	Public meetings and negotiations with First FS & LA and 1st National Bank of Peoria	
Neighborhood Action Coalition/Springfield	Comparative study of local mortgage loans by financial institutions	
INDIANA		
United Citizens Organization/East Chicago, IN	Negotiations with six local lenders	Lenders agreed to five year $50 million reinvestment project administered by bank-sponsored CDC
Northwest Indiana Open Housing Center	Ongoing analysis of housing markets in Lake County and other areas	
Gary Human Relations Commission	Used as evidence in discriminatory lending cases	Suit against Bank of Indiana resulted in increased low-income mortgage lending
United South Side Community Organization	CRA challenge: Shelby FS & LA	
Near East Side Community Organization	CRA challenge: American Fletcher Bank	
	Negotiations with Indiana National	Created credit accounting program to increase low-income eligibility for rehab loans
	Negotiations with Merchants Bank	Agreed to lower downpayments on mortgages and provide 25 year mortgages
Evansville Dept. of Metropolitan Development	Annual reports on mortgage lending activity	
Indiana Heartland Coordinating Commission	Analysis of local housing markets	Used in developing Neighborhood Preservation Plans
West Indianapolis Neighborhood Congress	Redlining study	
United Northwest Area	Development of housing strategy plan and negottiations with financial institutions	
Community Action Against Poverty	Redlining study of Marion County	
Neighborhood Development, Inc.	Provides lending analyses to constituent organizations	

City of Indianapolis, Division of Planning	Used in housing planning and development of CD programs	
South Bend Housing Coalition	Task force study of housing conditions in four low-income neighborhoods	
Indiana University N.W.	Times series study of Lake County housing markets prepared for City of Hammond	
IOWA		
Des Moines Citizens for Community Improvement	CRA chhallenge: Scandia FS & LA	$100,000 in below-market home rehabilitation loans
Des Moines CCI	CRA challenge: American FS & LA	
Cedar Rapids Citizens for Community Improvement	Perpetual FS & LA and other local lenders	Lenders agreed to form a non-profit CDC to fund low-income projects
Waterloo Citizens for Community Improvement	CRA challenge: First FS & LA	
Waterloo CCI	Housing market analysis and negotiations with local lenders	State anti-redlining law passed. Seven lenders agreed to increase low-income mortgages.
Council Bluffs CCI	Analysis of local housing markets and meetings with lenders	
Legal Aid Society of Polk County, Des Moines	Research of lending institutions	
HELP Legal Assistance, Davenport	Annual mortgage analyses	
Pope County Board of Supervisors	Development of targeted deposit program to invest public funds with best lenders	
Coalition for Community Reform, Sioux City	Mortgage analysis	
KANSAS		
Wichita Eagle newspaper	Article on local mortgage practices	
KENTUCKY		
Brighton Center, Newport	Analysis of mortgage lending in North Kentucky	
Kentucky Housing Corp., Frankfurt	Statewide investigation of construction and finance industries	
MAINE		

Portland West Neighborhood Planning Council	Analysis of housing markets used in local revitalization efforts	
MARYLAND		
Neighborhoods Uniting Project, Mt. Rainer	CRA challilenge: Maryland FS & LA	$2.5 million below market mortgage programs with reduced appraisal and closing fees
Neighborhoods Uniting Project	CRA challilenge: Perpetual FS & LA	Lender agreed to credit needs survey, low-income marketing, counseling services and review board
Communities Organized To Improve Life, Baltimore	Negotiations with Fairview FS && LA, Union Trust and other local lenders	Lenders agreed to below market loan program and high risk loan matching fund
Southeast Development, Inc., Baltimore	Analysis of local mortgage patterns	
Johns Hopkins University	Two studies of Baltimore housing markets	Housing development program developed by Hopkins with lender, city, and community participation
Citizens Planning and Housing Assoc., Baltimore	Monitoring of lenders' mortgage lending	
Baltimore Dept. of Housing and Community Development	Used in research and implementation of Home Ownership Development Program	Local lenders increased inner city mortgage lending
Coalition of Peninsula Organizations	Analysis of local bank lending patterns	
MASSACHUSETTS		
Massachusetts Fair Share, Boston	Negotiations with Dorchester Bank	Lender agreed to housing loan program
Massachusetts Commission Against Discrimination	Ongoing monitoring of bank lending practices	
Boston Anti-Redlining Coalition	Negotiations with Jamaica Plains Bank	Mortgage counselling service established
Executive Office of Communities and Development	Housing market analyses	
Somerville United Neighbors	Negotiations with Central Cooperative Bank	Lender agreed to provide rehab funds for problem buildings in neighborhood
Massachusetts Urban Reinvestment Advisory Group	CRA challenege: Provident Institution for Savings	Denial of branch due to poor community lending record
	CRA challenge: First National Boston Corp.	Since 1980, MURAC has negotiated approximately $1 billion in reinvestment programs with Massachusetts financial institutions. Examples include $22 million small business loan program with State Street Bank & Trust, $6 million with Warren
	CRA challenge: Old Colony Bank of Hampden County	

	CRA challenge: Old Colony Bank of Franklin County	Savings, $58 million low-income loan increase with Bank of Boston, revolving loan fund for small businesses that has created 154 jobs.
	CRA challenge: Old Colony Bank of Berkshire	
	CRA challenge: Haverhill National Bank	
	CRA challenge: Old Colony Bank of Northern Essex County	
	CRA challenge: Boston Five Cent Savings Bank	
	CRA challenge: Freedom FS & LA	
Metropolitan Area Planning Council, Boston	Report for Governor's Office on mortgage lending patterns	
BUCO, Pittsfield	Fair Housing Committee analysis of local lending	
Office of Community and Economic Dev., Pittsfield	Used in creating and implementing Fair Housing Plan	
MICHIGAN		
St. John's Housing Counselling Center	Analysis of local housing markets and lenders	
Detroit Dept. of Community and Economic Development	Used in administration of CD programs	
Michigan Housing Coalition	CRA challenge: Michigan National Bank	
	CRA chhallenge: National Bank of Detroit	
	CRA challenge: Comerica Bank	
	CRA challenge:: Wayne-Oakland Branch	
Michigan Coalition Against Redlining	Analysis of mortgage lending in state	Anti-redlining state legislation and $100 million statewide home improvement loan program
McKinsey & Co., Inc.	Analysis of Detroit bank lending practices for City of Detroit	
Michigan Committee on Law and Housing	Ongoing mortgage analysis and negotiations with lenders	
Michigan Avenue Community Organization	Analysis of local housing markets	
Gross Point Interfaith Center	Community lending seminars	
North Central Seven	Analysis of local housing markets and	

Community Org.	negotiations with lenders	
Easttown Community Org.	Lending patterns analysis	
Kalamazoo Planning Dept.	Used in administering Neighborhood Improvement Loan Program	
Michigan Department of Commerce	Statewide report on redlining	
Pontiac Citizens Coalition	Analysis and community meetings with local lenders	Lender agreed to review board and rehab loan program
Lansing Coalition on Redlining & Reinvestment	Analysis of Lansing housing markets	Citywide mortgage review board created and lender agreed to participate in NHS
MINNESOTA		
United West End COACT, Duluth	CRA challenge: First National of Duluth	Pledge to increase number of loans in low/moderate income neighborhoods
	CRA challenge: St. Louis County FS & LA	
	Analysis of housing and farm loan record of major lenders in Minnesota	
Minnesota Tenants Union, Minneapolis	CRA challenge: Twin City FS & LA	
Crow Wing Concerned Citizens Council	CRA challenge: Brainerd National Bank	
	CRA challenge: Mid Central FS & LA	
Minnesota State Housing Finance Agency	Analysis of mortgage patterns in Twin Cities and Duluth	
Clergy and Laity Concerned, Minneapolis	Anti-redlining campaign	
University of Minn. Community Development	Ongoing analysis of HMDA and technical assistance to community groups	
Northside Settlement Services, Minneapolis	Report on mortgage redlining in city	
St. Paul Dept. of Planning and Economic Development	Determine neighborhood investment rates for NHS and public housing programs	
Iron Range COACT	Report on bank reinvestment rates in Northeastern Minnesota	
St. Paul ACORN	Analysis of local banks' lending records	
Frogtown COACT	Analysis of local banks' lending records	

Twin Cities Organization	Study of housing loans by local banks	Minneapolis passed anti-redlining ordinance
Community Planning Organization	Study of displacement in St. Paul neighborhoods	
Displacement Coalition	Study of displacement in St. Paul neighborhoods	City modified mortgage and home improvement programs to prevent displacement.
Minneapolis Comptroller's Office	Ongoing analysis of investment patterns	
Clay County Citizens Committee, Moorhead	Mortgage redlining studies	
MISSISSIPPI		
City of Gulfport	Ongoing analysis of lending patterns to encourage community reinvestment	
MISSOURI		
City of St. Louis Community Development Dept.	Used in administration of community development programs	Passed ordinance linking city deposits to lenders' community investment records
Kansas City Development Department	Report written to assist in development of housing strategies	
Concerned Citizens of the 5th Ward, St. Louis	Used in analysis of CD programs	
Missouri ACORN	CRA challenge: Commerce Bancshares	
	CRA challenge: Landmarc Bancshares	Lender agreed to $1 million low-interest housing loan program
	CRA challenge: Forman Home FS & LLA	
	Annual analysis of local housing markets	
Kansas City Star	Annual articles on lender investment patterns	
Kansas City Development Department	Distributes information to community organizations	
Blue Hills Housing Corp., Kansas City	Used in developing local credit union to meet housing needs	
Kansas City Legal Services	CRA challenge: Community FS & LA	

Phoenix Fund, St. Louis	Research and education on redlining	
St. Louis Savings and Loan League	Redlining analysis	
Missouri Housing Coalition	Analysis of local housing markets and negotiations with lenders	
North Area Community Forum, St. Louis	Analysis of lender investment patterns	
Normandy Municipal Council, Northwood	Analysis of lending patterns of local savings associations	
4963 Neighborhood Coalition, Kansas City	Analysis of local housing markets	
MONTANA		
Billings City/County Planning Board	Ongoing use in development and administration of planning efforts	
OKLAHOMA		
Coalition of Neighborhood Associations	Research and education of community	
Target Area Action Group	Analysis of mortgage investments by local lenders	Several lenders created mortgage loan development program
NEBRASKA		
Community Reinvestment Coalition of Omaha	CRA challenge: Commercial Federal	Lender agreed to $10 million mortgage and improvement loan program for N. Omaha
	CRA challenge: Nebraska FS & LA	
	CRA challenge: Omaha FS & LA	
Lincoln Alliance	Analysis of investment patterns and negotiations with city and lenders	
NEVADA		
North Las Vegas City Manager's Office	Annual mortgage investment analyses	
Community Legal Services, Las Vegas	Analysis of redlining	
NEW JERSEY		
Rutgers Univ., Office of Newark Studies	Report on redlining commissioned by Mayor's Office resulting in meetings with lenders	Major lender agreed to $5 million mortgage pool, other lenders agreed to fund an NHS

New Jersey Public Action, Newark	Redlining analysis	Passage of state low interest loan program and anti-redlining legislation
Concerned Citizens of North Camden	Analysis of local lenders' investment patterns	
New Jersey Tenants Org., Fort Lee	Redlining analysis	
Citizens United for Elizabeth, NJ	Challenge of branch application by local lender	Lender agreed to commit $5 million at below market rates for mortgages
New Jersey Citizens Action	Analysis of major lending institutions in major New Jersey cities	
City of Paterson, Housing Division	Annual mortgage analyses and negotiations with lenders	10 lending institutions committed a pool of $2.5 million for urban mortgage program
Paterson,Department of Community Development	Used in administering public low interest mortgage plan	
Plainfield, NJ Neighborhood Development Div.	Annual mortgage analyses	
Rick Cohen and Associates	Researched housing investment patterns in New Jersey	
NEW MEXICO		
Home Education Livelihood Program	Development of CRA challenge of 1st National of Albuquerque	Lender agreed to flexible underwriting criteria and reduced rate loans
NEW YORK		
Northwest Bronx Community/ Clergy Coalition	CRA challenge: Citibank	Since 1977 lenders have provided funding for over 200 NWBCCC multi-family revitalization projects totalling $30 million. Negotiations have also resulted in additional commitments of $21 million for multi-family housing in the Northwest Bronx.
	CRA challenge: Citicorp	
	CRA challenge: Anchor Savings Bank	
	Analyses and negotiations with lenders in Bronx area	
	CRA challenge: Chemical Bank	
	Negotiations with State Banking Dept.	Enactment of regulations linking banks' directt investment powers to CRA ratings
People''s Firehouse	Analysis of mortgage lending in Bronx	
New York Public Interest Research Group	Series of reports on redlining in the Bronx	
Office of the President,	Report: "Redlining and Disinvestment in	

Borough of the Bronx	the Bronx"	
Jamaica Plain Mortgage and Banking Committee	Report on redlining	
St. Nick's Housing Corporation	Analysis of local housing markets	
Greenpoint/Williamsburg Committee on Redlining	CRA challenge: Chemical Bank	
Bank on Brooklyn	CRA challenges and negotiations with nine local lenders.	Combined, lenders committed $52 million for low-income revitalization projects: Anchor-$25 million, Williamsburg-$10 million, Greater New York-$5 million, Metropolitan Savings-$2.4 million, Carver-$2 million. Additional commitments from Lincoln, Flatbush, Independence and Fulton
South Brooklyn AID	CRA challenge: Roosevelt Savings	
	CRA challenge: Franklin Savings	
	CRA challenge: NY Bank for Savings	
	CRA challenge: Manufacturers Hanover	
	CRA challenge: East New York Savings	
	CRA challenge: Dime Savings	
	CRA challenge: Brooklyn Savings	
	CRA challenge: Western NY Savings	
New York State Banking Department	Redlining studies and reports on local housing markets	
Urban Fellows Institute, Schenectady	Educational reports	
United Urban Ministry, Troy	Negotiations with lenders to increase local housing investments	
Dollars and Sense Magazine	Numerous articles on community investment patterns of lenders	
Erie County Citizens Organization	Greenlining campaign	
Division of Housing, Catholic Diocese of Buffalo	Greenlining campaign	
Hudson Park Neighborhood Association, Albany	Report on bank investment patterns	

NY City Commission on Human Rights	Used to select and attract funding to neighborhood stabilization areas	
	CRA challenge: Jamaica Savings	
	Regular reports: "Redlining in Rockaway", "Redlining in Southeast Queens"	
Coalition Against Redlining	Report and analysis: "The Redline Continues"	
Group 14621, Rochester	CRA challenge: Dime Banking & Loan Assoc.	$1 million loan fund established
United Tenants of Albany	Negotiations with local lenders CRA challenge: Albany Savings Bank	$2.5 million loan fund for rehab
	CRA challenge: Key Banks, Inc.	Public/private "Neighborhood Development Partnership" established for mortgage funds
Southeast Queens Anti-Redlining Coalition	CRA challenge: Reliance FS & LA	
Catholic Charities, Buffalo	Analysis of local housing markets	
Waterfront Lakeview United Neighbors, Buffalo	Analysis of local housing markets	
Pratt Institute, Brooklyn	Analysis, public meetings, and negotiations with local lenders	
Operation Open City	Redlining study	
Rochester Greenlining Coalition	Analysis of lender investment patterns	
Peoples Advisory Services, Schenectady	Analysis of local housing markets	
NORTH CAROLINA		
North Carolina Public Interest Research Group	Analysis of lender investment patterns	
OHIO		
Near West Neighbors In Action, Cleveland	CRA challenge: Central National Bank	Lender agreed to provide low interest mortgages for 12 area homes
Citizens To Bring Back Broadway, Cleveland	Negotiations with First Federal, central National and Cleveland Trust	All lenders agreed to provide low interest rehab loans. Cleveland Trust initiated citizen advisory committee. First Federal told area realtors to refer any mortgage customer in area to them for loans.

Union Miles Community Coalition, Cleveland	CRA challenge: Security Corporation	
	CRA challenge: Society National	Lender agreed to $3.5 million rehab and mortgage pool.
St. Clair/Superior Coalition, Cleveland	CRA challenge: Ameritrust Corp.	
Neighborhood People In Action/Buckeye Woodland Community Congress	CRA challenge: Ameritrust Corp.	Leaders agreed to pool totalling $10 million in low interest mortgages and $16 million in rehhab loans
	CRA challenge: Society National	
	CRA challenge: National City Corp.	In addition, four lenders agreed to fund a neighborhood controlled, for-profit development corporation that has provided 1.3 million in housing and other services and created 62 new jobs.
	CRA challenge: National City Bank of Cleveland	
Cleveland Mayor's Office	CRA challenge: First Federal FS & LA	Agreement to increase lending in inner city starting with $15 million loan pool
Heights Community Congress, Cleveland Htts.	Analysis of lender investment patterns	
Active Clevelanders Together	Redlining study	Anti-redlining legislation passed by Cleveland City Council
Financial Institutions Advisory Committee	Negotiations with area lenders	Lenders provided $300,0000 to finance rehab and sale of 12 foreclosed houses
City of E. Cleveland		Ordinance passed linking city deposits to lender investment patterns
City of Shaker Heights		Ordinance linking city deposits to lender investment patterns
Bedford Heights Civic Coal.	Analysis of local housing markets	
Cleveland NHS	Analysis of impact of services on target area	
Dayton Urban League	Analysis of local housing markets	
Miama Valley Regional Planning Commission	Monitoring of banks' CRA performance	
Birmingham Neighborhood Coalition, Toledo	Analysis of banks' lending records	
Detroit/Shoreway Development Corp.	Analysis of local hosing markets	
The Housing Advocates, Cleveland	Analysis of local housing markets	

Commission on Catholic Community Action	Analysis of local housing markets	
Northeast Ohio Areawide Coordinating Agency	Used in creating and implementing community development goals	
City of Cleveland Planning Commission	Used in developing public/private mortgage lending programs	
Hough Area Development Corporation	Negotiations with Cardinal FS & LA	Lender agreed to provide 440,000 for credit-worthy low income homebuyers
Cleveland Plain Dealer	Analysis of mortgage investment in low-income areas	
Bowling Green State Univ.	Multi-city investment analysis	
West Side Neighbors, Akron	Analysis of lender investment patterns	
West Side Coalition, Dayton	CRA challenge: State Fidelity	Lender provided $5 million loan pool for rehab and mortgages, affirmative marketing and capital for Westside CDC
Dayton Legal Aid Society	Analysis of lending records of area financial institutions	
Toledo NHS	Analysis of lending patterns in target areas	
Cincinnati City Planning Dept.	Used in administering city development funds	
People Power Citizens Organization, Akron	Report: "Drawing the Red Line"	
Ohio Public Interest Research Group	CRA challenge: Bancohio National Bank	
Greater Toledo Housing Coalition	CRA challenge: National City Corp.	
	CRA challenge: Ohio Citizens Trust	
	CRA challenge: Huntington National Bank	
	CRA challenge: First Federal FS & LA	Lender agreed to initiate new home loan program
Westside Coalition of Concerned Citizens, Dayton	CRA challenge: Winters National Bank	
	CRA challenge: Homestead FS & LA	
The Rehab Project, Lima	Analysis of mortgage lending by banks	Several banks agreed to $7 million reinvestment program
Cincinnati Reinvestment Project	CRA challenge: First National Bancorporation	

Cincinnati Coalition of Neighborhoods	Analysis of lender investment patterns	
Columbus Coalition of Neighborhoods	Analysis of lender investment patterns	
Catholic Conference of Ohio	Redlining analysis	
OREGON		
Oregon Public Interest Research Group	Annual redlining studies	
PENNSYLVANIA		
Community Resource Center	Analysis of mortgage lending by major financial institutions	
Community Development Coalition	Used in providing technical assistance to development groups	
Philadelphia Council of Neighborhood Organizations	CRA challenge: Girard Trust	Lender agreed to lower fees and increase participation in Philly Mortgage Plan
	CRA challenge: Fidelity Bank	Lender agreed to lower fees and increase participation in Philly Mortgage Plan
West Oak Lane Concerned Citizens	CRA challenge: Germantown Savings	Agreed to provide home improvement loans and placed first loan officer in area
	CRA challenge: Central Penn Bank	Agreed to become first commercial bank in Philly to offer home improvement loans
Kensington Action Now	CRA challenge: Philadelphia National Bank	
	CRA challenge: Provident National Bank	
	CRA challenge: Fidelcor, Inc.	
Institute for the Study of Civic Values	Ongoing monitoring of Philadelphia Mortgage Plan	
Philadelphia ACORN	Negotiations with Mellon Bank	
Northwest Community Housing Association	Analysis of Philadelphia housing markets	
Temple University, Urban Studies Department	Analysis of lender investment patterns	
Perry Hilltop Citizens	Analysis of lender investment patterns	

Organization, Pittsburgh		
Philadelphia League of Savings & Loan	Report on redlining	
Harrisburg Fair Housing Council	CRA challenge: Dauphin Deposit Bank & Trust	Lender agreed to $12 million pool for low-income mortgages
	CRA challenge: National Central Bank	
	CRA challenge: Hamilton Bank	
Coalition of Religious & Civic Org.'s, Easton	CRA challenge: First National of Allentown	Lender agreed to $7.5 million low interest mortgage and home improvement loan pool
	CRA challenge: Valley FS & LA	Lender agreed to $1.5 million mortgage pool
Urban League of Metro Harrisburg	Analysis of lender investment patterns	
Franklin Terrace Tenants Assoc.	CRA challenge: National Central Bank	
Pennsylvania Human Relations Commission	Two year study documenting mortgage redlining across the state	
Easton Bureau of City Planning	Ongoing analysis of lender investment patterns	
Harrisburg Department of Community Development	Ongoing analysis of lender investment patterns	
Action Housing, Pittsburg	Mortgage analysis	
Pennsylvania Department of Community Affairs	Ongoing monitoring and assistance to community groups	

RHODE ISLAND

Grass Roots	Statewide mortgage study	
PACE, Providence	Analysis of local housing markets	
Coalition for Consumer Justice, Providence	Analysis of lender investment patterns	

UTAH

People Against Redlining, Salt Lake City	Analysis of lender investment patterns	Passage of state anti-redlining law linking deposits to lender community investment.
Crossroads Urban Center, Salt Lake City	Analysis of lender investment patterns	

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SOUTH CAROLINA		
Columbia Community Development Corp.	Negotiations with financial institutions to increase community investment	
Charlseton Dept. of Plang and Urban Development	Used in developing and administering housing and land use plans	
TENNESSEE		
Knoxville Urban League	Analysis of local housing markets	
Memphis ACORN	Mortgage analysis and anti-redlining campaign	
Belmont/Hillsboro Neighbors, Nashville	Ongoing analysis of lender investment patterns	
Peace and Justice Coalition, Memphis	Citywide coalition currently analyzing lending records and developing community investment campaign	
TEXAS		
Dallas ACORN	CRA challenge: Dallas FS & LA	Lender agreed to increase lending in low/moderate income areas
Northeast Austin Council	CRA challenge: Austin FS & LA	Lender agreed to $6 million pool for single family rehabilitation
Dallas NHS	Analysis of investment patterns in target areas	
University of Texas, Poli. Sci. Dept., Dallas	Multi-year analysis of mortgage investment patterns	
Trinity University, Urban Studies Dept., San Antonio	Analysis of local housing markets	
VIRGINIA		
Richmond United Neighbors	Negotiations with Sovran Bank and other area lenders	Lenders agreed to $30 million reinvestment program targeting 20 percent of all loans to low-income areas and providing housing counselling
Southwest Virginia Housing Coalition	Analysis of mortgage investment patterns	
Richmond Economic Development Office	Used in creating and administering public/private rehabilitation programs	
WASHINGTON		
Seattle Office of Policy	Used by reinvestment task force in develop-	

Planning	ing community investment programs	
Washington Human Rights Commission	Analysis of lender investment patterns	State anti-redlining legislation passed
Tacoma Human Relations Department	Analysis of local housing markets	
Fremont Public Association	Analysis of lender investment patterns	
Environmental Works	Analysis of lender investment patterns	
American Freinds Service Committee	Redlining study	
Washington Public Interest Research Group	Redlining study	
WISCONSIN		
Cooperation West Side Association, Milwaukee	Analysis of forcelosure sales by "cash brokers"	Lenders and realtors agreed to change rehab loan policies to prevent abuse
	CRA challenge: Midtown State Bank	$3 million mortgage program established by lender
ESHAC, Inc., Milwaukee	Analysis of local housing markets used in local development efforts	
Metro Milwaukee Fair Housing Council	Analysis of lender investment patterns	
Council on Urban and Rural Life, Milwaukee	Analysis of lender investment patterns	
Westside Conservation Corporation	Research used in Home Buyers Clinic	

NBC Bank
San Antonio

Robert H. Seal
Chairman of the Board

March 20, 1986

San Antonio Reinvestment Alliance
424 South Main Suite 402
San Antonio, Texas 78205

Gentlemen:

This letter will set forth NBC Bank - San Antonio's intention to establish a program which will be of benefit to your constituents and enable NBC Banks to work with you in a special way for the betterment of the community. Discussions recently have been held between representatives of the San Antonio Reinvestment Alliance and NBC Bank - San Antonio regarding community needs and how, in your judgment, NBC Bank could respond to those needs. I have made other officers of the Bank aware of the discussions we have held and have reviewed with them alternative ways of addressing your concerns.

The purpose of this letter is to set forth a series of items the Bank intends to implement with a view toward serving in a special way the needs of the community while, at the same time ensuring the continuing safety, soundness and strength of the Bank. We intend to make available $5,000,000 over a five year period for rehabilitation of existing housing, for construction of new housing and for business projects in the specific census tracts of interest to you and in others which have median household incomes not exceeding 80% of the median household income for the San Antonio Standard Metro Statistical Area. The establishment of the program and the loan funds shall neither require the bank to make any specific loan in any amount, require the Bank to make aggregate loans in any specified amount; nor preclude the Bank making loans aggregating in excess of the amount specified. Loans made under the program will bear a fixed interest rate set at 1% above the NBC Bank - San Antonio prime rate. No application fees, originating fees or other points will be charged to loan applicants or borrowers under the program, and the terms of loans made will be up to 15 years.

As discussed, the Bank will use its best efforts to allocate the funds as follows:

A. $350,000 per year for home improvement loans to owner/occupants of the dwellings to be improved with a loan to value ratio up to 80%. Other conditions include acceptance of appraisals by the Bexar County Appraisal District, minimum amount of loans to be $500 with minimum loan payments of $25 per month. On loans of $2,500 or less the loan may be unsecured, depending upon the creditworthiness of the applicant. All of the above to be tempered by flexible, qualifying underwriting criteria.

B. $350,000 per year for interim construction loans for single and/or multi-family (2 - 4 units) dwellings with the Bank to use its best efforts to make this type of loan to qualified non-profit or minority developers and with the understanding that such developers be encouraged to sell to buyers who will occupy the completed dwelling as their primary residence.

C. $300,000 per year for commercial loans including start-up, acquisition and/or expansion of businesses with emphasis on qualified minority business enterprises.

In order to make this program known to those who are eligible, a special marketing plan will be developed to include specific advertising on KAPE and KCOR radio, as well as advertising in the San Antonio Register and San Antonio SNAP. The Bank will also provide for the printing of 2,000 brochures and 4,000 flyers, as requested, to announce the program and to do additional printing should that prove to be necessary.

It is also the intention of the bank to provide pre-application and loan counseling assistance for those persons eligible for the program and to make this service available at the bank as well as in the neighborhoods at specific times.

Recognizing special needs of Senior Citizens and the needs of persons of low and fixed income, NBC Banks intend to offer a lifeline account program for these persons.

NBC Bank - San Antonio will invite, at least annually, community representatives, including members of the San Antonio Reinvestment Alliance, to meet with and to discuss concerns with the bank's Community Affairs Committee, which has been functioning for a number of years.

Prior to the enactment of the Community Reinvestment Act and since its enactment NBC Banks have fully complied with the spirit and letter of the Act. NBC Banks will continue to do so. It is our intention to do the things which are outlined in this letter in such a way as to enhance this community, recognizing that in all of the actions taken prudent lending principles for both the borrower and the bank must be observed and the program must be developed in relation to economic conditions. We will make every effort to see that information regarding the program is disseminated to those who are eligible and to communicate with the groups involved.

NBC Bank wants this program to succeed, and each of the senior management officers of the Bank is committed to it. I appreciate your bringing your concerns to us, and I look forward to working with you.

Very truly yours,

Robert H. Seal
Senior Vice President
National Bancshares Corporation of Texas

Chairman of the Board
NBC Bank - San Antonio

Accepted: For the individual and group members of the San Antonio Reinvestment Alliance:

TOMMY CALVERT
Eastside San Antonio
Economic Development Council

WILLIAM T. CORNWELL, III
Reginald Heber Smith Law Fellow
Bexar County Legal Aid Association

JOHN SPADY
Interfaith Alliance

ABRAM EMERSON, Spokesman
San Antonio Reinvestment Alliance
and
Residents Organized for a Better
and Beautiful Environmental
Development

LOU MILLER
Alamo City Chamber of Commerce

DATE

CLIFTON E. HODGE
Alamo City Chamber of Commerce

NWB CCC
Northwest Bronx Community & Clergy Coalition
Central Office 2656 Decatur Ave., Bronx, N.Y. 10458 - (212) 933-3101

Statement of Dalma De La Rosa

Testimony Before the Housing Sub-Committee of the House Banking Committee, May 5th, 1986

My name is Dalma De La Rosa of the Northwest Bronx Community and Clergy Coalition. I am here today presenting the Coalition's serious concerns about proposed budget cuts in the Community Development Block Grant Program.

I am not here today to hear sympathetic responses. I am not here to hear about "the climate in Washington not being conducive to budget requests;" I am not here to hear about the problems caused by the federal budget deficit.

I am here along with hundreds of people representing thousands of people in the National People's Action to call on Congress to allocate additional money to the housing programs funded by the Community Development Block Grant Program.

In New York and around the country, we hear a lot of talk about the homeless. The situation is terrible. Everyone understands theplight of the homeless, but few people want to really try to cure the problem that causes homelessness.

In the Northwest Bronx, we have been using CD money to rehabilitate occupied city-owned housing. This rehabilitation has maintained units of housing for people who would otherwise join the ranks of thehomeless. We understand that it costs the government $20,000 a year to house and care for homeless families in the existing shelter system. This wise use of CD money is actually saving the government money.

NWB CCC
Northwest Bronx Community & Clergy Coalition
Central Office 2656 Decatur Ave., Bronx, N.Y. 10458 - (212) 933-3101

Page 2, Testimony before Housing sub-committee

. We are currently using CD money to leverage private money from the banks and insurance companies to do affordable rehabilitation in privately owned apartment buildings. This money is being used to keep housing affordable, therefore addressing another factor in the homelessness problem.

We are currently proposing to use CD money to leverage church and private money to re-claim the hundreds of vacant buildings in the Bronx, creating new housing for low-income people. These proposals will provide housing for people currently living in overcrowded or deteriorating apartments, as well as people currently living in the City's shelters.

This money is all currently coming from the CD budget. The need is such already that we will need more money from the state and city budget to accomplish our goals. At this time, when the need is greatest, the federal government cannot turn their backs on us. The federal government has other areas where it can "tighten its belt." We can not afford to have our belts tightened more.

We urge the House to support doubling the Community Development Budget to $6 billion. We urge targeting of this money to low and moderate income negibhorhoods. And we also urge the House to support our efforts to renew the Home Mortgage Disclosure Act, and make it permanent legislation. HMDA has been a valuable tool in leveraging the private money I mentioned earlier

CITIZENS FOR COMMUNITY IMPROVEMENT
CCI
of Des Moines Inc.

Prepared statement of Brenda LaBlanc

Chairman Gonzalez and distinguished members of the House, my name is Brenda LaBlanc and I represent Citizens for Community Improvement of Des Moines, Iowa. My testimony will briefly touch on the use of federal Community Development Block Grant and Community Services Block Grant dollars in Des Moines, effects of proposed cut-backs in these essential programs and the continuing need of full, adequate and permanent disclosure of housing loans made by lending institutions.

Des Moines is the largest community in Iowa and is also the greatest recipient of CDBG dollars. While in 1980 Des Moines received nearly $ 6 million in CDBG entitlement funds we have suffered a 26.2% reduction in funds from 1980 to 1985. As you know, Iowa is in the worst economic period since the depression and combined with the effects of inflation, this reduction has further reduced the quality of life for many in our neighborhoods.

The proposed deferral would further reduce our community's ability to meet our neighborhoods needs by $ 700,000. If enacted the deferral would mean an actual reduction of 48% from the 1980 CDBG grant level.

In Des Moines this reduction means dramatic cut-backs or outright elimination of 29 seperate programs directly assisting low-income residents. I am attaching a list of these programs to my testimony.

The bottom line for us is improvement of our neighborhoods. Apart from corporations, we pay our taxes and it's in all reality our money we're talking about saving and increasing. Why is it that we are even discussing a major reduction of 48% in CDBG dollars since 1980? A major cause is across the river at the Pentagon, and that begs the question- who is more important to the stability and improvement of our society? Caspar Weinburger and his newest billion dollar toy or or the 34 Section 312 Low interest loans for home rehab in our neighborhoods?

Our organization receives a Community Services Block Grant to organize low-income tenants to improve their often substandard housing conditions. Since 1977 CCI has assisted thousands of tenants and won hundreds of thousands of dollars in improvements. This year we have received $ 12,800 and are now told that the President wants to eliminate CSBG. He may not know that 11,000 rental households in Des Moines have annual incomes below $ 8,000 a year and pay over 25% of their incomes for rent, or that 48% of the residents in our four low-income neighborhoods are renters. Nearly 2,000 apartments are substandard and illegally rented out primarily to low-income families in Des Moines. CCI is the only organization in Des Moines that directly assists these people and now the President thinks it's necessary to take away our $ 12,000.

We want the Congress to save CSBG and indeed increase its funding.

This is the real point of my testimony- that dollars should and must be increased for CSBG and CDBG programs. Let me give the Committee a brief justification for this statement. In Des Moines we have a three year waiting list for Section 8 low-income housing. Fair, decent and affordable housing is a right which this country identified in the depression and re-affirmed in the 1960's. Why now is our right to fair, decent and affordable housing granted only if I should be so lucky to have applied for it in 1983? This is absurd, people need housing now and not three years down the road, or now with these cuts perhaps never.

I would like to make some final comments on Home Mortgage Disclosure which I was privileged to testify on before this Committee last year. As the central depository for HMDA in Des Moines and as an organization which takes full use of the information, we are convinced that HMDA must be a permanent law. Any attempt to limit its availability through sunset provisions gives us clear impressions that it will be taken away down the road. When major lenders in Des Moines lend more than 2% of their housing portfolio in our neighborhoods then we can have that discussion. Unfortunately disinvestment still exists in Des Moines and through HMDA we can clearly show it. I'm enclosing a copy of a profile in housing lending to this testimony.

Thank-you for this opportunity to speak on these important issues.

Attachment 2

The following is a list of the type of projects which the City has operated in the past and intended to operate in 1986 before notification of a possible 30% funding cut. If the 30% cut is approved, many of these services would be reduced or eliminated.

1. Continue a major redevelopment effort in the City View Neighborhood of the Model City Target Area.
2. Provide housing information and referral to handicapped residents and administer the City's 504 program.
3. Purchase and rehab 15 abandoned houses; operate a tool lending library; provide materials to paint 60 houses; administer a Housing Rehab Resource Center.
4. Fund a part of the cost of constructing Ligutti Tower which will provide subsidized housing for 149 elderly and handicapped residents.
5. Administer 34 Section 312 Low Interest Loans for home rehab; rehab 42 apartment units, provide 22 below market mortgage loans; provide 30 Emergency Repair loans (furnaces, wiring, plumbing, etc.); eliminate architectual barriers in 10 homes occupied by handicapped persons; rehab and sell 25 vacant houses; and provide counseling on housing related matters to 135 households.
6. Provide home improvement loans to 6 homeowners who have difficulty obtaining credit.
7. Provide minor home repairs to 695 elderly and low-income residents; employ 65 youth and 14 supervisors during the summer; completely rehab 2 homes and provide training to 12 students.
8. Subsidize 200 low and moderate income residents assessed for public improvements (streets, sewers and sidewalks).
9. Develop a plan of action for the Harding Road corridor in the Woodland Willkie Target Area.
10. Help fund a Foot Patrol Program to reduce crime in the Model City and Woodland Willkie Target Areas.
11. Help fund congregate meals for 3,450 elderly residents.
12. Help fund child care for 943 children.

13. Help fund a Family Violence Center.

14. Help fund a Human Services Coordinating Board to eliminate duplication of services and increase communication between service providers.

15. Help fund a Neighborhood Mediation Center to resolve disputes.

16. Help fund a Community Kitchen which serves 250 persons/day

17. Help fund a paratransit program to provide 25,200 trips to congregate meals, doctors, grocery shopping, work sites, nursing homes and job training for elderly, handicapped and low-income residents.

18. Provide cultural and recreational activities for 5,500 participants in Target Areas.

19. Help operate a senior volunteer program for 900 elderly residents.

20. Help fund a youth counseling service.

21. Help provide 19 loans for small business expansion to generate 68 new jobs and retain 119 existing jobs.

22. Provide seeds, plants and tilling assistance for 3,500 vegetable gardens.

23. Provide a rodent and pest control effort.

24. Complete the rehab of a Community Center in the Model City Area.

25. Relocate 6 families from adverse environmental conditions.

26. Provide training and supportive services to 900 day care homes through a Child Care Resource Center.

27. Provide 40 ill, elderly or handicapped residents with 10,192 Mobile Meals.

28. Provide enrichment and supportive services to 1,000 residents of the Homes of Oakridge.

29. Provide services for tenants and landlords to resolve rental housing problems.

In addition, the City also uses CDBG funds to carry out the major portion of its Neighborhood Development network of services, including outreach, information and referral, service delivery, site offices and citizen boards.

CITIZENS FOR COMMUNITY IMPROVEMENT
CCI
of Des Moines Inc.

A PROFILE OF HOUSING LENDING IN DES MOINES

There are seventeen (17) of Des Moines' Census Tracts which roughly represent our older neighborhoods. These neighborhoods are characterized by pre-1940 structures and have high percentages of low-income and minority residents. All neighborhoods identifies, with the exception of the Fairgrounds, are eligible for federal Community Development Block Grant projects.

MODEL CITY NEIGHBORHOOD: Census Tracts; 12, 13, 14, 24

LOGAN NEIGHBORHOOD: Census Tracts; 16, 17, 18, 23, 37

WOODLAND-WILKIE NEIGHBORHOOD: Census Tracts; 26, 27, 28

PIONEER COLUMBUS/ S.E. NEIGHBORHOOD: Census Tracts; 20, 36, 38, 42

FAIRGROUNDS NEIGHBORHOOD: Census Tract; 21

Lending Records for 1984

MIDLAND FINANCIAL: Total Housing Loans, (mortgage, rehab, multi family)
$ 17,888,000
Loans made to older neighborhoods= $ 559,000.
Percent of total lending dollars= 3%.
29 of 428 loans went to older neighborhoods.

Model City: 1 loan for $23,000
Logan: 8 loans for $130,000
Woodland-Wilkie: 4 loans for $92,000
Pioneer Columbus/SE: 9 loans for $148,000
Fairgrounds: 8 loans for $189,000

AMERICAN FEDERAL S&L: Total Housing Loans= $ 17,264,000
Loans made to older neighborhoods= $ 747,000
Percent of total lending dollars= 4%.
25 of 354 loans went to older neighborhoods.

Model City: 10 loans for $234,000
Logan: 6 loans for $139,000
Woodland-Wilkie: 4 loans for $212,000
Pioneer Columbus/SE: 3 loans for $ 97,000
Fairgrounds: 2 loans for $65,000

1609 Seventh Street, Des Moines, Iowa 50314
Phone: (515)282-9412

NORWEST BANK: Total Housing Loans= $ 12,521,000
Loans made to older neighborhoods= 361,000
Percent of total lending dollars= 3%
24 of 320 loans went to older neighborhoods.

Model City: 3 loans for $57,000
Logan: 7 loans for $70,000
Woodland-Wilkie: 7 loans for $79,000
Pioneer Columbus/SE: 4 loans $93,000
Fairgrounds: 3 loans for $ 62,000

POLK COUNTY FEDERAL S&L: Total Housing Loans= $11,497,000
Loans made to older neighborhoods= $154,000
Percent of total lending dollars= 13%.
3 of 211 loans went to older neighborhoods.

Model City: -0-
Logan: -0-
Woodland-Wilkie: 3 loans for $154,000
Pioneer Columbus/SE: -0-
Fairgrounds: -0-

UNITED FEDERAL S&L: Total Housing Loans= $ 9,257,000
Loans made to older neighborhoods= $828,000
Percent of total lending dollars= 9%.
54 of 340 loans went to older neighborhoods.

Model City: 13 loans for $155,000
Logan: 21 loans for $290,000
Woodland-Wilkie: 13 loans for $251,000
Pioneer Columbus/SE: 5 loans for $96,000
Fairgrounds: 2 loans for $36,000

UNITED CENTRAL BANK: Total Housing Loans= $6,394,000
Loans made to older neighborhoods= $307,000
Percent of total lending dollars= 5%.
19 of 232 loans went to older neighborhoods.

Model City: 6 loans for $49,000
Logan: 3 loans for $78,000
Woodland-Wilkie: 6 loans for $112,000
Pioneer Columbus/SE: 3 loans for $56,000
Fairgrounds: 1 loan for $12,000

BANKERS TRUST: Total Housing Loans= $3,473,000
Loans made to older neighborhoods= $82,000
Percent of total lending dollars= 2%.
19 of 180 loans went to older neighborhoods.

Model City: 5 loans for $19,000
Logan: 7 loans for $25,000
Woodland-Wilkie: -0-
Pioneer Columbus/SE: 2 loans for $12,000
Fairgrounds: 5 loans for $26,000

VALLEY NATIONAL BANK: Total Housing Loans= $ 2,852,000
Loans made to older neighborhoods= $ 83,000
Percent of total lending dollars= 3%.
5 of 53 loans went to older neighborhoods.

Model City: 1 loan for $55,000 Pioneer Columbus/SE: 1 loan for $4,000
Logan: 1 loan for $ 2,000 Fairground: 2 loans for $22,000
Woodland-Wilkie: -0-

FIRST INTERSTATE BANK: Total Housing Loans= $2,647,000
Loans made to older neighborhoods= $52,000
Percent of total lending dollars= 2%.
6 of 134 loans went to older neighborhoods.

Model City: 1 loan for $25,000 Pioneer Columbus/SE: 1 loan for $9,000
Logan: 1 loan for $ 5,000 Fairground: 2 loans for $7,000
Woodland-Wilkie: 1 loan for $6,000

EAST DES MOINES NATIONAL BANK: Total Housing Loans= $1,806,000
Loans made to older neighborhoods=$437,000
Percent of total lending dollars= 24%.
52 of 221 loans went to older neighborhoods.

Model City: 4 loans for $133,000 Pioneer Columbus/SE; 5 loans for $14,000
Logan: 21 loans for $151,000
Woodland-Wilkie: 4 loans for $26,000 Fairground: 18 loans for $113,000

HAWKEYE BANK & TRUST: Total Housing Loans= $1,573,000
Loans made to older neighborhoods= $166,000
Percent of total lending dollars=11%.
9 of 28 loans went to older neighborhoods.

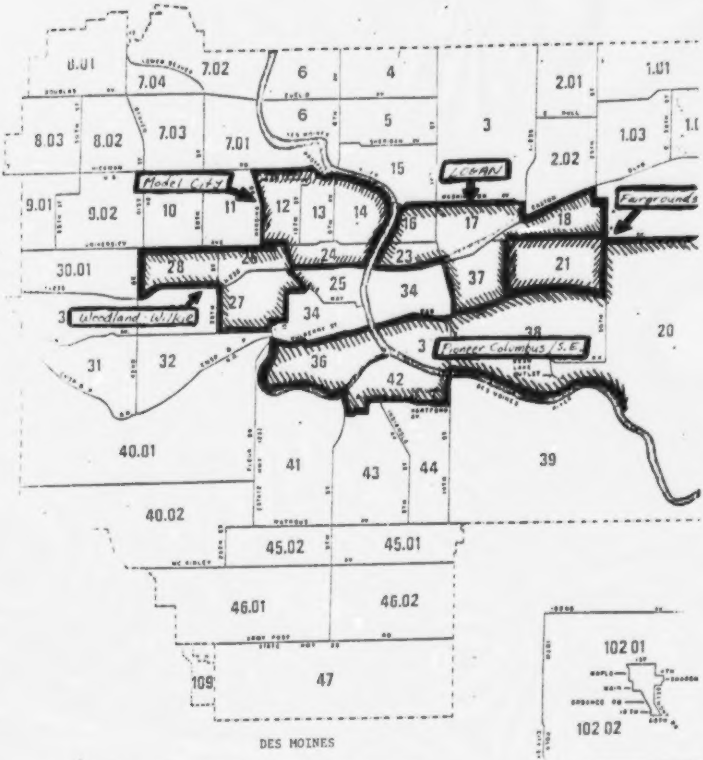
Model City: 2 loans for $47,000 Pioneer Columbus/SE: 2 loans for $53,000
Logan: 2 loans for $30,000
Woodland-Wilkie: 3 loans for $36,000 Fairground: -0-

IOWA STATE BANK: Total Housing Loans= $ 828,000
Loans made to older neighborhoods= $ 97,000
Percent of total lending dollars= 12%.
13 of 62 loans went to older neighborhoods.

Model City: 2 loans for $3,000 Pioneer Columbus/SE: 2 loans for $ 25,000
Logan: 9 loans for $63,000
Woodland-Wilkie: 2 loans for $6,000 Fairgrounds: -0-

HAWKEYE CAPITOL BANK & TRUST: Total Housing Loans= $ 640,000
Loans made to older neighborhoods= $98,000
Percent of total lending dollars= 15%.
13 of 51 loans went to older neighborhoods.

Model City: 2 loans for $10,000 Pioneer Columbus/SE: 3 loans for $28,000
Logan: 6 loans for $43,000
Woodland-Wilkie: 2 loans for $17,000 Fairground: -0-


Model City
Logan
Fairgrounds
Woodland-Wilkie
Pioneer Columbus/S.E.
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DES MOINES
ANKENY

OLDER DES MOINES NEIGHBORHOODS
BY CENSUS TRACTS

Prepared statement of Dora Marshall

Hello, my name is Dora Marshall from the Senior Citizens Coalition in Cleveland, Ohio. Almost every day I go to the Eagles nest Nutrition Center. That center is not just a place to eat, but is a part of my life. All of my friends are at the Eagle's Nest. When I go there, we check up on each other, we spend time with one another, we break bread together. Without that center, many people would lose their main meal of the day. Many of us go to the center, and that can be the only meal we eat in the entire day because some of us can't afford another one. Because of Gramm-Rudman, money from the CDBG has been reduced. Our center was cut. That means people like me will be without food. It also means that many of our staff people will be laid off. Now, it makes no sense for a program that helps so many people and offers so many important things to people to be cut like that.

Another thing that we know will be cut by this Gramm-Rudman is subsidized housing. Any rent increases will have to come out of our own pockets, and will no longer be subsidized. Someone out there must think we are rich, with all of these increases, and all of these cuts. Well, I have some news for you--we are not rich. Living in subsidized housing is very important to me. I feel safe, I feel warm--and I can put my feet on the without freezing to death. But with all these cuts, I might have to move out. I might be put out on the street. No place to live, no place to eat-- is that what you want?? Put an end to these cuts. Let us have some peace in our old age!!

Following material supplied by Lavelle Williams

FACTSHEET

MACO HOUSING & COMMERCIAL DEVELOPMENT: 1981--86

The MACO Area comprises **5½ square miles** in Southwest Detroit, with a population of **42,000 residents.** The Community Organization was **formed in 1974**; the Housing Development Component in 1980.

Housing Conditions in MACO range from burnt-out, abandoned wrecks to well-kept, single-family, brick homes. Due mainly to investor activity, mortgage red-lining, and owners' economic inability to make substantial repairs, **the trend in housing has been towards deterioration.** In one MACO neighborhood between 1981 and 1985, **houses in critical condition increased by 300% and the number of vacants doubled.**

MACO's Development Activity has slowed the trend towards deterioration and, in some areas, made vast improvements. **More than 200 homes and 40 businesses have been repaired and rehabilitated** through MACO's Development Programs.

Community Development Block Grant funds from the City of Detroit have been the mainstay of MACO's Development Budget. Approximately **$2.7 million has been allocated since 1981.**

Direct Leveraging by MACO has brought **an additional $1.5 million** for development program use.
Private Sector Funds: $738,125
Direct Grant Match: $82,760
Residential Loans: $651,350

The Direct Economic Impact of MACO's Development effort can be calculated at a **dollar investment of more than $1.8 million with more than 300 jobs created or retained.**
Expanded/Retained City Revenues: $806,000
*Property Tax: $310,000
*Income Tax: $476,000
*Permits, etc.: $20,000
Savings in City Revenues: $1,000,000
*Demolition, Fire Calls, Building Inspection and Code Enforcement
Businesses Created/Retained: 40
Jobs Created/Retained: 366 FTE
*Construction: 166 FTE
*Retail/Professional: 150 FTE

The Indirect Economic Impact of Development efforts is calculated in **excess of $10 million. Eighty additional businesses** have been created or retained. **More than 600 FTE** jobs have been created or retained. These figures do not include the **$15 million investment in the Chrysler McGraw Plant.** According to Chrysler management, this investment decision was made in direct response to MACO's Development efforts.
Stimulated Reinvestment: $7,000,000
Expanded/Retained City Revenues: $1,570,000
*Property Tax: $620,000
*Income Tax: $950,000
Savings in City Revenues: $2,000,000
Businesses Created/Retained: 80
Jobs Created/Retained: 600+ FTE

TOTAL ECONOMIC IMPACT:	**$16,548,235**	(CDBG, Leveraged, Direct & Indirect Economic Impact)	
Original Block Grant:	**- 2,700,000**		
RETURN ON INVESTMENT:	**$13,848,235**	**513%**	**120 Businesses** **900+ FTE JOBS**

THE S.O.S. PEOPLE'S BLOCK GRANT BUDGET

The Mayor's Proposed Budget Cuts Neighborhoods by 70 Percent!

The S.O.S. PEOPLE'S BUDGET Focuses on REBUILDING DETROIT by Balancing Neighborhood and Economic Development!

	MAYOR'S PROPOSED BUDGET	S.O.S. PEOPLE'S BUDGET	INCREASE AVAILABLE FOR NEIGHBORHOOD DEVELOPMENT
CUT EXCESSIVE ADMINISTRATION			
* Comm. Dev't. Admin./Planning[1] - Administration costs should be cut by least the same percentage as the entire budget.	$7,643,000	$6,500,000	$1,143,000
* NOF Technical Assistance[1] - Again, cut admin. from last year by same percent as entire budget. Allows for adequate admin. with increase in NOF program allocations.	1,007,000	700,000	307,000
* Rehab Staff[1] - Another attempt to increase admin. while decreasing program funding. Cut back at least to last year's level.	2,108,000	1,200,000	908,000
* Development Acquisition Services[2]	243,500	- 0 -	243,500
* Development Disposition Services[2]	287,000	- 0 -	287,000
* Development Engineering[2] - These new line items are attempts to expand administration of C.E.D.D. If necessary to development, they should be included with General Fund revenues.	782,000	- 0 -	782,000
PURGE "SLUSH FUNDS"			
* Wholesale Distribution Center[1] - This project, if ever realized, would merely transfer jobs from Port St. to Eastern Market. No commitments for job creation or retention.	1,000,000	- 0 -	1,000,000
* Art Center/Medical Center[1]	1,000,000	100,000	900,000
* Forest Park/Leland Orleans[1] - There are no commitments for benefit to low/moderate income in these projects — only road-building. Forest Park has been used as a slush fund in the past. Return to last year's level.	2,000,000	150,000	1,850,000
* Woodward Avenue Improvements - $1.5 million still remains unspent for this clearance project. These funds would only allow the closing of legitimate, functioning businesses, with no plan, funding, nor commitment for future development.	650,000	- 0 -	650,000
* Residential Rehab City-Wide[1] - Residential Rehab will be done more quickly and effectively if local groups control distribution. Money unspent or transferred from the NOFAR account demonstrates that centralized rehab will not work.	1,000,000	- 0 -	1,000,000

(continued)

S.O.S. PEOPLE'S BUDGET - Page Two

CUT BLOCK GRANT LUXURIES	MAYOR'S PROPOSED BUDGET	S.O.S. PEOPLE'S BUDGET	INCREASE AVAILABLE FO NEIGHBORHOOD DEVELOPMENT
* Central Industrial Park[1] - A reduced CDBG cannot afford to bear the entire brunt of the Poletown obligation. Spread the load to General Fund Surplus or dead non-neighborhood CDBG.	$7,750,000	$2,750,000	$5,000,000
* Riverfront East[1] - Again, an obligation of the City of Detroit, but not necessarily of Block Grant. Riverfront acquisition can't continue at the expense of neighborhood residents.	1,500,000	- 0 -	1,500,000
* Economic Development Corporation	300,000	- 0 -	300,000
* Economic Development Services[2]	528,000	- 0 -	528,000
* Economic Growth Corporation - While important to the continued economic growth of the City, these big-business assistance programs received past CDBG as "seed funding." Other sources should now be used: According to C.E.D.D., $200,000 per month is currently available from UDAG "payback" to fund E.D. programs such as these.	500,000	- 0 -	500,000
* Economic Development Loan Fund[1] - Until previous commitments to use for small business expansion/job creation are honored, CDBG funds should be withheld.	250,000	- 0 -	250,000
* New Center Area Improvements[1] - General Motors and Burroughs can well afford to repair their own sidewalks and plant their own bushes.	1,050,000	- 0 -	1,050,000
FOCUS ON REBUILDING			
* Demolition/Boarding - There must be a priority on saving repairable housing in Detroit. Twenty percent of houses on the demolition list could be saved if funding for boarding and repairs was available. Budget calls for the following: 1) Create a new CDBG line item with $1 million in reprogrammed funds from demolition. This money would be available for non-profit community organizations to board open, repairable houses. 2) An additional $1 million should be reprogrammed to fund neighborhood housing rehab.	9,920,000	7,920,000	2,000,000
TOTAL INCREASE AVAILABLE FOR NEIGHBORHOOD DEVELOPMENT			$20,198,500

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[1] Also recommended for cuts by CPC

[2] Need questioned by CPC

Prepared statement of Susan Patton

GOOD AFTERNOON. MY NAME IS SUSAN PATTON. I AM FROM THE SENIOR ACTION COALITION OF LORAIN COUNTY, OHIO. I LIVE IN THE CITY OF LORAIN.

LORAIN'S CENTRAL AREA HAS SUFFERED SEVERLY FROM THE EFFECTS OF LORAIN'S HIGH UNEMPLOYMENT, YOUTH GANGS, AND ABSENTEE LANDLORDS PLAGUING THE NEIGHBORHOOD. WE SEEMED DOOMED TO BECOME ONE MORE FORGOTTEN URBAN WASTELAND. BUT INSTEAD, WE HAVE DECIDED TO UNITE. OVER THE PAST YEAR RESIDENTS HAVE MET WITH THE MAYOR OF LORAIN AND MANY OTHER OFFICIALS FROM THE SAFETY DEPARTMENT, HEALTH DEPARTMENT, AND CITY COUNCIL TO INSURE ATTENTION AND BASIC CITY SERVICES FOR OUR NEIGHBORHOOD.

THE NEIGHBORHOOD HAS SLOWLY BEEN DETERIORATING. MUCH OF THE HOUSING STOCK HAS BEEN LEFT TO ROT. ONE HOUSE, LOCATED ON EAST 23RD STREET HAS BEEN VACANT FOR ALMOST TWENTY YEARS.

OUR NEIGHBORS MET AND DISCUSSED MANY OF THE PROBLEMS IN THE NEIGHBORHOOD. WE DETERMINED THAT, ALTHOUGH THERE WERE SEVERAL ISSUES, THE LARGE NUMBER OF VACANT HOUSES SEEMED TO BE AT THE ROOT OF EACH OF THEM. WE FELT THAT THE STRAY DOGS, RATS AND INCREASED CRIME ARE SPAWNED BY THE HOUSING SITUATION.

WHILE RESIDENTS HAVE BEEN ADDRESSING THE PROBLEM OF GETTING THE VACANT HOUSES TORN DOWN, OTHER HAVE BECOME VACANT, AND VANDALIZED. WE SIMPLY CAN'T KEEP UP WITH THE SITUATION.

BEST COP [illegible]

WHILE MANY HOUSES ARE BEYOND REHAB, WE FEEL THAT OTHERS COULD BE SAVED IF THEY ARE SECURED BEFORE TOO MUCH TIME PASSES.

WE NEED MORE NOT LESS CDBG MONEY IN OUR CITY.

LAST YEAR THE CITY OF LORAIN WAS ALLOCATED JUST OVER ONE MILLION DOLLARS OF CDBG MONEY. THIS YEAR, THE ALLOCATION HAS BEEN REDUCED TO A MERE 786,000 DOLLARS WITH ADDITIONAL SEVERE REDUCTIONS PROPOSED FOR 1987.

IT IS VITAL THAT THESE MONIES BE INCREASED FOR OUR NEIGHBORHOOD NEEDS.

CDBG HAS BEEN CUT FROM $3.8 BILLION IN 1980 TO $2.9 BILLION IN 1986. PRESIDENT REAGAN WANTS TO SLASH FUNDING TO ONLY $2.9 BILLION IN 1987. THE HOUSE AND SENATE BUDGET COMMITTEES SEEM TO BE LEANING TOWARD A SO-CALLED "FREEZE" IN CDBG AT THE 1986 LEVEL OF $2.9 BILLION. THIS "FREEZE" ACTUALLY MEANS A 24% CUT IN CDBG SINCE 1980!

WHERE HAS ALL THE MONEY GONE? WHO GOT THE $1 BILLION THAT HAS ALREADY BEEN CUT FROM CDBG? THE CHART BELOW SHOWS THAT THIS MONEY, ALONG WITH MONEY FROM COUNTLESS OTHER PRO-NEIGHBORHOOD, PRO-FAMILY PROGRAMS, WAS DEVOURED BY THE DEFENSE DEPARTMENT:

YEAR	MILITARY BUDGET	CDBG BUDGET
1980	$143.9 BILLION	$3.8 BILLION
...	. . .	. . .
1984	265.2	3.5
1985	294.7	3.5
1986	286.1	2.9
1987 (REAGAN PROPOSAL)	320.3	2.6

SINCE 1980, THE DEFENSE DEPARTMENT HAS GOTTEN "DOUBLE DOLLARS" --- A 223% --- IN ITS BUDGET. THE RESULT HAS NOT BEEN A STRONGER MILITARY. THE RESULT HAS BEEN WELL-DOCUMENTED WASTE, FRAUD, AND ABUSE --- FROM $500 HAMMERS TO AIRPLANES THAT DON'T FLY TO GETAWAY WEEKEND VACATIONS FOR RICH DEFENSE CONTRACTORS --- ALL AT OUR EXPENSE. SAC SUPPORTS THE NPA PROPOSAL FOR "DOUBLE DOLLARS" FOR THE CDBG BUDGET AS WELL. WE DEMAND THAT $6 BILLION, WHICH IS TWICE THE 1986 FUNDING LEVEL, BE ALLOCATED FOR CDBG IN 1987. THE $3 BILLION IN ADDITIONAL FUNDING WE ARE CALLING FOR CAN BE EASILY FOUND BY CLEANING UP ONLY THE TIP OF THE ICEBERG OF DEFENSE CONTRACT ABUSE.

PRESIDENT REAGAN HAS ALREADY SLASHED THE CDBG BUDGET BY 24%. HE HAS DEFERRED $500 MILLION IN CDBG FUNDS ALLOCATED FOR 1986. THIS REDUCES THE 1986 FUNDING LEVEL FROM AN ALREADY LOW $2.9 BILLION TO AN EVEN LOWER $2.4 BILLION.

CONGRESS HAS THE POWER TO OVERTURN THE $500 MILLION DEFERRAL.

WE DEMAND NO DEFERRAL OF $500 MILLION IN CDBG FUNDS.

FINALLY, SINCE CURRENT CDBG REGULATIONS REQUIRE THAT ONLY 50% OF CDBG FUNDS GO TO PROJECTS THAT PRIMARILY BENEFIT LOW/MODERATE INCOME FAMILIES OR NEIGHBORHOODS, WE DEMAND THAT ALL CDBG FUNDS GO TO LOW/MODERATE INCOME PEOPLE.

The City of Lorain, Ohio

OFFICE OF THE MAYOR

ALEX M. OLEJKO
MAYOR

LORAIN CITY HALL
200 WEST ERIE AVENUE
LORAIN, OHIO 44052
(216) 244-3204

April 28, 1986

Susan L. Patton
Housing Committee
Senior Action Coalition
230 - 2nd Street, #209
Elyria, OH 44035

Dear Ms. Patton:

Thank you for your recent letter expressing your concerns about the abandoned housing problems in Central Lorain, As you know, we share your concerns and have been working to solve some of the problem cases.

We also share your concern about Federal cutbacks in Community Development Block Grant (CDBG) funds. CDBG funding is vital to the economy of Lorain, spurring local economic and community development projects and creating new hometown jobs for the unemployed. Cuts in this Federal aid program as well as cuts in Revenue Sharing, UDAG and EDA programs seriously impair the City's future stability.

When you are in Washington, we trust that you will lobby strongly for the retention of these important programs. The 1985 CDBG entitlement allocation for Lorain was $1,035,000.00. The projected 1986 CDBG entitlement amount is $786,000.00, with additional severe reductions proposed for future years.

Thank you for your assistance in helping to reverse this unfortunate trend of unwarranted Federal program cutbacks in Washington, D.C.

Sincerely,

Alex M Olejko

Alex M. Olejko
Mayor

CITY OF LORAIN, STATE OF OHIO

AMO/rd

Attachments

TELEPHONES 244-2132
244-6563

The City of Lorain
DIVISION OF BUILDINGS
OHIO

ROBERT WILLIAMS
CHIEF BUILDING INSPECTOR

PERMIT FOR AND
INSPECTION OF
BUILDINGS

COMPLIANCE AND
ENFORCEMENT
ZONING

February 25, 1985

Senior Action Coalation, Lorain County
Ms. Laura Sepulveda
230 - 2nd Street #209
Elyria, Ohio 44035

Re: Demolitions.

Dear Ms. Sepulveda:

Having received your letter of February 19, 1985, it is with regret that I cannot attend your meeting on March 7, 1985.

However, in reply to your inquiry regarding eyesores in the City and that you appear to be mainly concerned about the 5th Ward, I must inform you that this department is also just as concerned.

The following demolitions have occurred in the 5th Ward in the past year;

3176 Toledo Avenue - By the City.
3175 Denver Avenue - By Owner - City pressure.
604-606 E. 32nd St. - By City
3106 Broadway - By Owner, City Pressure.
819 East 33rd Street - Permit issued to demolish
2536 Elyria Avenue - Ordinance passed for Demolition.
3100 Elyria Avenue - Demolition underway.

While this department has been very active in processing these properties for demolition, the problem was that no monies were available to pay the Contractors.

Also be aware that this problem is also occurring in other Wards of the City and the Councilmen are keeping us abreast of their complaints.

In the same period of time described, there were also approximately 6 homes demolished in the 3rd Ward, 2 in the 6th Ward and there are 5 more demolitions pending about the City in which Ordinances have been passed and are awaiting the awarding of contracts and approval of the Auditor of availability of monies.

Ms. Sepulveda
Senior Action Coalation
February 25, 1985

This Department will continue to process demolitions throughout the City. However, I must impress upon you that the money problem will continue to some extent, in that what is now available in the demolition account will not cover the costs of those already begun. In April, the new Budget will provide some additional monies and we therefore, will proceed on demolitions as much as we can.

I trust this letter answers your inquiry. If we can be of any further assistance, please call the office.

Very truly yours,

DIVISION OF BUILDINGS

Robert Williams

Robert Williams, Chief Building Inspector

RW:rg

cc: Vladimir Nicoloff, Safety Director
File

3/8/85

Cleanup starts in East Avenue area

By Matt Smith
And Kriss Jenny
Of The Journal Staff

LORAIN -- Proving that a squeaky wheel gets the grease, East Avenue area residents who have been demanding city action on a trash problem in their neighborhood got what they wanted today.

City officials met yesterday with the Senior Action Coalition and East Avenue neighborhood residents who wanted something done about the trash, litter and dilapidated buildings that have made the area an eyesore. After the emotionally charged meeting, Mayor Alex Olejko and Safety Director Vladimir Nicoloff promised the crowd that their neighborhood would soon be cleaned up.

The task began this morning. A Browning-Ferris Industries truck dropped off a dumpster and city crews began the task of cleaning up some of the neglected area.

However, one of the worst sections, a junkyard strewn with refrigerators and abandoned cars, was not going to benefit from the clean-up because it is private property, Service Director Richard Koba said this morning. He said the crews would clean up the area surrounding the property but could not legally go onto the property itself.

Mary Price, who leases the privately-owned land, faces a maximum penalty of 60 days in jail and a $250 fine if she is convicted of the fourth-degree misdemeanor of violating a city littering ordinance to clean up the property.

"This didn't happen overnight, but I'm going to pledge that overnight we're going to start on cleaning it up," said Nicoloff at the end of the two-hour meeting.

Olejko, reminding the residents of the city's 5th Ward that he was born and grew up in the area, said that he would authorize sending prisoners from the city jail to help pick up the litter along the streets.

Police Chief John Malinovsky said there are many people in the city's work program who could be used for a clean-up project. The program, through municipal court, allows people to work off their fines instead of going to jail when they are unable to pay them.

About 100 people attended the meeting in the basement of Holy Trinity Church's school at 2428 Elyria Ave. Nearly all who attended have resided in the neighborhood all of their lives and many expressed sadness over its deterioration.

The coalition also demanded that city officials demolish within one week buildings at 320 East 21st St. (the old Anchor Inn), 326 East 21st St., 331 East 22nd St., 309 East 23rd St. and a garage at 2441 Apple Ave.

Nicoloff told the coalition that demolishing the buildings within one week was impossible.

"It's impossible to give you an exact date or week that this can be done," he said. Nicoloff said the problem lies in the legal processes needed to demolish a building.

The coalition also demanded that buildings at 2334-2336 Elyria Ave., 309 East 22nd St., Joe's Auto Sales (Elyria Avenue and 24th Street) and Price's Junkyard behind East Avenue be inspected within two weeks.

At the end of the meeting, coalition members — along with Nicoloff, Chief Building Inspector Robert Williams and Councilman Ken Shawver, D-5 -- agreed to meet again in one month to discuss the improvements will be made by that time.

3k)

Lorain neighbors press for area cleanup

By Michael W. Sheehy
Journal Staff Writer

LORAIN — City officials have assured residents of a central Lorain neighborhood that efforts are under way to demolish several vacant and dilapidated buildings.

About 60 residents attended yesterday's meeting of the Senior Action Coalition at Holy Trinity Church on Elyria Avenue, and several people expressed consternation with the time it is taking to tear down the structures.

The officials, who included Mayor Alex Olejko, Safety Director Vladimir Nicoloff and Chief Building Inspector Robert Williams, admitted the delay was frustrating but that certain legal requirements had to be met.

Yesterday's hour-long meeting followed an emotional session last month. At that meeting, residents demanded that the city do something about the run-down buildings and trash-strewn yards in their neighborhood.

Among the seven burned-out, weather-damaged and vandalized structures targeted for demolition are homes, a garage, a former church building and the former Anchor Inn. Neighborhood residents also want the lots of two nearby businesses, Joe's Auto Sales and Price's junk yard, cleaned up or put out of operation.

The properties, which residents say are hazards to safety and health, are located on East 21st, East 22nd and East 23rd streets and Elyria, East and Apple avenues.

"We just can't do it on the spur of the moment," Nicoloff said in reference to the demolitions. "We have to go through the legal process."

Title searches are currently being conducted on the properties in question, he said. Officials noted that the searches are taking a longer time than had been expected.

Nicoloff explained that before the city can tear down an unsafe building, the law demands that several steps be taken. According to the safety director, property owners must be contacted, a 30-day waiting period must pass, bids for demolition must advertised and awarded and the low bidder must obtain a performance bond.

Susan Patton, one of the coalition's leaders, told the officials that she lives next to one of the run-down structures. Children frequently play in the building, Ms. Patton said, and she is "always running kids out of there."

"It's really unsafe for the kids," she said.

Another coalition leader, Mary Brown, said a large piece from the roof of one of the targeted structures blew off on Good Friday. The piece flew in the direction of her children who were playing nearby.

Nicoloff said that following last month's meeting, the city issued a citation to the operator of the auto sales lot. He also announced, to the applause of those present, that the auto lot would be moving to a new location.

Nicoloff also said that TRW Inc., which owns the property that is leased by the junk yard operator, was considering the possibility of donating the land to the city for the creation of a park or playground. The junk yard had been previously cited by the city for code violations.

Richard Pall, a TRW representative at the meeting, said the company has warned the junk yard operator that "we will seek legal counsel for a remedy" if the lot is not cleaned up.

Olejko praised the neighborhood residents for their clean-up efforts, which, he said, are spreading to other parts of the city.

"You're making people aware of what's going on," he said. "And you're making City Hall aware of what's going on.

"You're keeping us on our toes," added the mayor.

Prepared statement of Gloria Aron

CITIZENS FOR A FAIR BUDGET
-------3000 Bridge Avenue, Cleveland, Ohio 44113-------
(216) 771-7297

TESTIMONY FOR: FORMAL HEARING OF THE HOUSING & DEVELOPMENT SUBCOMMITTEE OF THE U.S. REPRESENTATIVE BANKING COMMITTEE

SUBMITTED BY: GLORIA ARON, CITIZENS FOR A FAIR BUDGET

DATE: 1986 May 5th

REGARDING: COMMUNITY DEVELOPMENT BLOCK GRANT BUDGET

The Citizens for a Fair Budget consists of over 30 neighborhood advocacy and social service organizations located in Cleveland, Ohio. We came together in February of this year because of our concern about the impact Community Development Block Grant budget cuts will have on programs vital to the citizens of Cleveland,

There are over 196,000 people living in Cleveland at or below the federal poverty level. Many more live on an income just above this line. CDBG monies play a crucial role in providing many of these people with services important to their survival. Community Development funding to social service agencies has helped provide shelter to the homeless, food to the hungry, day care to children of low income working mothers, and special education, job training, and mediation programs to our young.

These services are important in the overall development of our community. They offer people the basic support needed to develop skills, get jobs, and live a dignified life.

These programs are threatened because of the Federal Administrations proposed CDBG budget for 1987. They are also threatened because of the deferal of $ 500 million from the 1986 CDBG budget to the 1987 budget. A deferal of money already approved by the congress. If allowed, these proposals will mean a loss of ten million dollars to Cleveland in 1986, a 33% cut from the 1985 funding level of 29 million dollars. The 1987 loss of money would be even more.

What this means in human terms is:

1. Over 2,000 elderly will be cut from meals programs and go hungry;
2. At least 150 working mothers will face unemployment and welfare because of the lack of inexpensive day care services for their children;
3. 2,000 of our children will be cast out of programs aimed at making them productive members of our community;

4. Thousands more will have to go without housing counceling, mental health, transportation, and other community services.

The proposed cuts in CDBG funds will also hurt social service progams abilities to leverage other funds. For example, the West Side Community House in Cleveland receives CDBG funds for two programs: Child day care and comprehensive elderly services and meals. For each dollar CDBG provides to the day care program, another 12½ dollars is raised through matching funds. About four dollars is leveraged for every CDBG dollar spent on the elderly program. Remember, this is just one of the over fifty programs which use CDBG funds to leverage other money.

The Citizens for a Fair Budget urges you to help us continue providing vital services to Clevelanders. The amount of money needed to continue these programs is minimul compared to the billions wasted by the Department of Defense or lost to the U.S. Treasurery through corporate tax loopholes (see attachments).

We are requesting you to:

1. Allocate 6 billion dollars to Community Development Block Grant for 1987.

2. Overturn President Reagan's deferral of 500 million dollars in Community Development Block Grant for 1986.

3. Target CDBG funds to low/moderate income people by supporting the Parren Mitchell bill. (This bill requires 50% of CDBG funds benefit neighborhoods or families at or below 50% of median income level in their area; 75% of funds benefit neighborhoods or families at or below 80% of median income level of their area; and prohibits any funds from benefiting neighborhoods or families above 120% of the median income in their area.)

AGENCIES, PEOPLE SERVED, AND $ LEVERAGED IN A TYPICAL WARD IN CLEVELAND THROUGH COMMUNITY DEVELOPMENT BLOCK GRANT FUNDING.

WARD 14 CDBG LIST

AGENCY/PROGRAM	SERVICES PROVIDED	PEOPLE SERVED	$ LEVERAGED
Cleveland Tenants Org. $33,000	Telephone I/R	600/month	63,000 UWS 16,000 County CDBC
Lakeview Terrace Resident Council			
Merrick House			
A. GED $34,000	GED Trng, tutoring, counseling job referrals, placement, fol-up	125 adults/mo	16,475 GCIC & 29,443 UWS Fdtns.
B. Youth Rec. $13,000	Supervised Recreation Activities only recreation program in the Tremont Neighborhood	130 Youth/day Mon-Sat.	2,736 UWS
Neighborhood Counseling Service $30,000 Counseling Programs	Mental Health Services Social Services, Counseling Services for the Deinstitutionalized	200 people/year	UWS and County Funds$50-60,000
Spanish American Committee			
A. Day Care $25,000	All day care, meals, transport.	Total-60/day CDBG-15-20/day	Title XX 81,000 USDA & UWS
B. Hispanic Business Dev. $40,000	Program Educ/Workshops	100/year	
West Side Ecum. Ministries youth services at 12 sites $80,000	Preschool, tutoring, after school drama, music, youth recreation	1000+/year	$100,000 churches foundations, fundraisers
West Side Multiservice Center Counseling Programs $25,000	family counseling job referrals & placement job development & followup	394/yr counseling 100/yr job search assistance	
West Side Community House			
A. Child Day Care $20,000	all day care, meals, trans. family & supportive services	Total-100/day CDBG - 12/day	176,000 Title XX 30,000 USDA 45,000 UWS
B. Comprehensive Elderly Services & Congregate Meals $13,000 WSCH contract $20,000 NCA-Title XX Match	meals, transportation, supportive services	Total-110/day CDBG - 50/day	80,000 Title XX 35,000 UWS 10,000 United Meth. Chur.
Hispanic Senior Center	(West Side Community House is the fiscal agent & funding conduit)		
Comprehensive Elderly Services $15,000	meals. supportive services transportation	Total-50/day	12,000 Title V 10,000 St. Ann Fdtn 20,000 UWS
Community Youth Mediation Program $20,000	(West Side Community House is the fiscal agent and funding conduit)		
Youth Mediation Conflict resolution	outreach, mediation, followup service brokerage, training	750 youth & volunteers	25,000 UWS 25,000 JJDP 20,000 YSS 15,000 Foundations

NO TO CUTS IN SOCIAL SERVICES!

CITIZENS FOR A FAIR BUDGET SAYS NO TO MAYOR VOINOVICH'S PLANNED CUTS IN SOCIAL SERVICE AGENCIES BECAUSE:

* The cuts would cause immense hardships to citizens of all ages.
* Senior citizens who rely on elderly service programs for food will go hungry.
* Working low income mothers who need low cost day care services will be forced to find expensive alternatives or lose their jobs and end up on welfare.
* School age children from low income families will lose special meal programs.
* Tutoring, counceling, job training and mediation programs for youth will not continue.
* Recently discharged mental health clients will lose counceling programs.
* OVER 10,000 PEOPLE NOW BEING SERVED BY COMMUNITY DEVELOPMENT BLOCK GRANT FUNDED AGENCIES WILL SUFFER.

Proposed Cuts Mean Loss Of Leveraged $

MANY AGENCIES USE CDBG FUNDING TO LEVERAGE OTHER FUNDING TO PROVIDE VITAL SERVICES.

* Day care and elderly service programs use CDBG money to leverage Federal Dollars from Title III, Title V, and Title XX programs. Sometimes equal to five times the CD amount of funding. (In other words, for each dollar cut by the Mayor, we can lose up to five dollars more)
* Other programs receive matching monies from the County, United Way Services, church, and private foundations. This money would also be lost.
* As an example, the Mayor's proposed cuts equalling $ 446,731 to just 15 programs will mean the loss of another $ 963,454 in other funds. This does not include all the programs being cut off.

DON'T BE FOOLED BY MAYOR'S LATEST PROPOSAL!

While the Mayor's decision to recommend an additional $891,000 to social service programs is a step in the right direction, it still falls over one million dollars short of last years funding level. It still means 51 vital programs would not be funded.

Citizens for A Fair Budget is urging no cuts to social service agencies. Instead of using CDBG money to fund basic city services and responsibilities as the administration proposes, this money could be used to continue funding agencies and other neighborhood programs.

WHO IS CITIZENS FOR A FAIR BUDGET???

Citizens for a Fair Budget consists of the following neighborhood groups and social service agencies: Alta House; Church of the Covenant; Citizens to Bring Broadway Back; Clark Fulton Development Center; Cleveland Tenants Organization; Collinwood Community Services Center; Community Youth Mediation Program; East End Neighborhood House; Garden Valley Neighborhood House; Goodrich Gannett Neighborhood House; Hijos DeBorrinquen; Hispanic Senior Center; Institute for Child Advocacy; Interchurch Council of Greater Cleveland; Lakeview Golden Agers; League Park Center; Lexington Square Community Center; Low Income People Together; Merrick House; Near West Housing Corporation; Near West Neighbors In Action; Neighborhood Centers Association; Neighborhood Counciling Services; Phyllis Wheatley Association; Senior Citizens Coalition; Spanish American Committee; Tremont Older Persons Program; United Area Citizens Agency; Welfare Rights Organization; West Side Community House; West Side Ecumenical Ministry; and the West Side Multi-Service Center.

For more information call: 771-7297

COMMUNITY DEVELOPMENT BLOCK GRANT MONEY

(in millions of $)

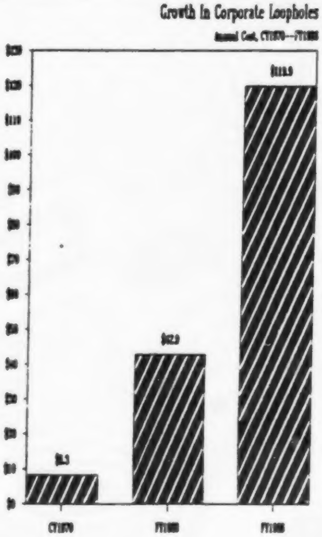
CATEGORY	YEAR XI	(28,816)	ADMINISTRATION PROPOSED YEAR XII	(19,883)
Public Improvements	$ 7,415	25.7%	$ 1,910	9.6%
-Neighborhood Si	($ 5,800)		($ 860)	
-Other	($ 1,615)		($ 1,050)	
Aministration: Includes admin., EDA, City Planning, LDC tech Assist.	$ 5,955	20.7%	$ 4,436	22.3%
Citywide Housing Programs (VIP, Cash, Paint, NC/LC)	$ 3,070	10.7%	$ 1,715	8.6%
Social Services: 3rd party	$ 2,891	10.0%	$ 1,000	5.0%
Code Enforcement	$ 2,150	7.5%	$ 2,240	11.3%
Lots/Gardens:	$ 1,775	6.2%	$ 2,017	10.1%
Safety:	$ 1,500	5.2%	$ 2,500	12.6%
Neighborhood Housing Programs	$ 1,500	5.2%	$ 1,600	8.0%
-CDC's	($ 1,150)		($ 1,100)	
-New Construction	($ 350)		($ 500)	
Demolition	$ 1,100	3.8%	$ 1,000	5.0%
Commercial Revitalization	$ 1,075	1.4%	$ 1,125	5.7%
-LDC's	($ 465)		($ 475)	
	($ 600)		($ 650)	
Other: (Rodent Control, Paint	$ 410	1.4%	$ 340	1.7%

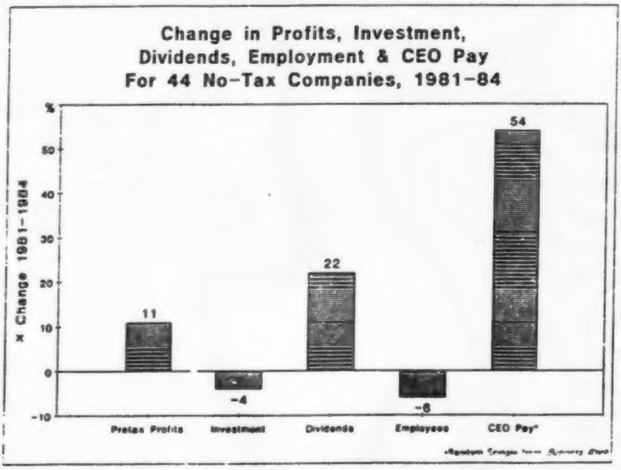
THE WINNERS AT A GLANCE: Who wins because of the Federal Budget and Tax Programs

The tax rate for coporate profits is supposed to be 46%. But, because of the Corporate tax reduction bill passed by Congress in 1981, allowing numerous new loopholes for business to jump through, the effective tax rate is much less. In fact, growth in tax loopholes will equal 119.9 billion dollars for 1986: more than one half the expected federal defecit.

Where has this money gone? The Federal Administration along with the corporations getting the dough want you to believe its going to build new plants and create more jobs for the unemployed. Is this really the case? NO! Information compiled by the Citizens for Tax Justice Organization on 275 major, profitable corporations shows that this money has gone to increased stock dividends, buybacks of company stock, to buy other companies, and to more than double the pay for cheif executive officers. In fact, this information, compiled from annual reports of the corporations shows a decrease in new equipment and plant investment, and a decrease in the number of employees.

The Graph below shows the changes in % for those 44 corporations that paid no federal income tax.





*Random Sample from [illegible]

NTIC National Training and Information Center
954 West Washington Boulevard ☐ Chicago, Illinois 60607 ☐ (312) 243-3035

THE GREAT FLIM FLAM AT THE PENTAGON
- FOLLOWING THE MONEY TRAIL -

IN A 4 MONTH PERIOD (SEPT 35 - DEC 85) REPORTS BY THESE GOVERNMENT AGENCIES FOUND IN THE PENTAGON BUDGET A ' SWAMP ' OF UNSPENT & UNOBLIGATED FUNDS.

SOURCE	AMOUNT OF UNSPENT AND UNOBLIGATED FUNDS IN BILLIONS
GAO REPORT NO. 127859 SEPT 3, 1985	$36.8 (INFLATION OVERBUDGET) $39.9 (UNOBLIGATED)
HOUSE ENERGY & COMMERCE COMMITTEE STAFF REPORT DEC 18, 1985	$20 (USE OF UNPRICED ORDERS TO PROTECT UNOBLIGATED PROCUREMENT FUNDS)
POTENTIAL SAVINGS TO TREASURY THROUGH A RETURN OF UNOBLIGATED PENTAGON FUNDS	$96.7

OR

FIGURE HOW TO BEST SPEND A WINDFALL OF ALMOST $100 BILLION.

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THE PLAIN DEALER

PERSPECTIVE

C

SUNDAY, APRIL 27, 1986

ANALYSIS/EDITORIALS/LETTERS

Young and old alike are hurt by budget cuts

Regarding the April 14 editorial "City politics and fiscal realities":

The Citizens for a Fair Budget has some hard facts that should be presented to Clevelanders.

Hard fact No. 1: The editorial failed to mention that Community Development Block Grant (CDBG) dollars are used to leverage other monies. For example, every 22 cents provided by CDBG for senior citizen programs generates 77 cents from Title XX and other sources. Thus, $80,000 in CDBG attracts $268,000 in matching funds. Can we afford to turn away those funds?

Hard fact No. 2: If funding is cut, 483 senior citizens will lose meals, transportation and other essential support services. Is this one of the "less essential" priorities referred to in the editorial?

Hard fact No. 3: Cuts in day-care services for working mothers will have an impact in several areas. First, some mothers will be forced back onto the welfare rolls if they cannot find safe, adequate care for their children. Second, the city will lose tax dollars from wages earned by working mothers. Third, loss of income may mean loss of a home. Fourth, children are at risk of placement in environments where there is little or no supervision, or worse, they may become latchkey children. Is this another "less essential" priority?

Hard fact No. 4: Even the casual observer would be shocked to see that the cost of administering CDBG funds has risen to 22% of the total budget this year—and next year, with a cut in total funding, the administrative costs will increase to 25%. When dollars are scarce, administrative costs should be reduced and money should be redirected to programs.

PD/EDWARD BEYER

We agree that CDBG dollars should be spent in the neighborhoods to improve housing. We do not believe that CDBG funds should be used to pay for city services such as demolition of vacant houses, code enforcement, safety services and cleaning up vacant lots. Those services are the responsibility of the city and should be paid for out of the general fund.

Mayor George V. Voinovich has returned $891,000 to the budget for support of essential services. We feel that no cuts should be made, and that the city should look to its own general fund for the dollars it needs to pay city employees. Return CDBG dollars to the communities and the people who need them.

GLORIA J. ARON
Cleveland

THE PLAIN DEALER
OHIO'S LARGEST NEWSPAPER CLEVELAND, TUESDAY, APRIL 8, 1986
20¢

Group blasts mayor's spending proposal

By STEVE LUTTNER
STAFF WRITER

It doesn't matter to Stephanie Pettus if it's Reaganomics or Voinovich that's threatening the funding of a program that helped her get the equivalent of a high school diploma.

Pettus doesn't care who is really responsible. To her, it's just wrong.

"There will be less time to spend with people who want to get off welfare," she said, explaining that cuts to the Merrick House General Educational Development program will mean there will be fewer teachers spending less time with students.

About 400 other people with similar thoughts packed City Council chambers last night to demonstrate their dismay with Mayor George V. Voinovich's recommendation that the city slash spending by about $1 million this year for social programs such as the one that helped Pettus.

Last year, the city spent about $2.8 million to finance the operation of more than 100 programs that teach the uneducated, feed the hungry, shelter the homeless, comfort the elderly and care for the children of working parents.

This year Voinovich has proposed spending about $1.8 million to finance 50 such programs. Some of the remaining programs considered for funding under the mayor's reduced social-program budget proposal would get less money than they got last year.

Voinovich had originally planned to recommend only about $800,000 for such programs this year, but he relented and boosted the total to the still reduced $1.8 million after a public outcry about the cuts.

Voinovich points to Washington, D.C., as the villain, noting the federal government reduced Cleveland's community development funding this year to $19 million from $29 million in 1985. In 1980 the city received $38 million in federal community development money.

Voinovich was in Washington yesterday and unavailable to listen to the people who came to City Hall last night to complain about the cuts to various social programs.

Council President George L. Forbes, D-9, explained to the crowd that there simply wasn't enough money to go around.

"There's no way in the world we can fund all the programs we funded when we had $39 million," Forbes told the placard-bearing crowd. "Somebody's going to have to be left out."

Forbes said his priorities for the social programs were those associated with the elderly, the hungry and children.

The Voinovich administration seems to have a slightly different view. Even with this year's reduced community development fund allocation, Voinovich has recommended that police get $2.5 million of the $19 million, which is $1 million more than police got last year when the city received a total of $29 million. Community Development Director Vincent Lombardi said the administration believed safety was a top priority.

"The No. 1 issue on the minds of people is safety," Lombardi said. "What good is it to have agencies if no one wants to go out to them?"

And Voinovich has let it be known that with promises of continued reductions in federal aid, Cleveland should concentrate on spending what money it gets from Washington on bricks and mortar instead of bread and butter.

"I firmly believe that in this era of reduced federal funding we must get back to the original intention of the community development block grant program, to support housing and community rehabilitation projects," Voinovich wrote in an April 4 letter to Forbes. "Our shift in commitment is a necessary shift, and we will continue to move in the direction set out in the original 1986 community development budget."

Forbes said council would hold a series of public hearings in the next few weeks to discuss block grant spending this year. About 20% of this year's community development grants — roughly the same percentage as last year — will be used to pay for salaries and other costs associated with the administration of the money, Lombardi said.

THE PLAIN DEALER

OHIO'S LARGEST NEWSPAPER   CLEVELAND, SATURDAY, APRIL 5, 1986

Mayor kills plan to chop social funds

By V. DAVID SARTIN
STAFF WRITER

Bowing to intense political pressure from City Council, charities and neighborhood activists, Mayor George V. Voinovich has rescinded a plan to cut nearly half of Cleveland's social service agencies from federal aid.

Voinovich has told top assistants to develop a new plan to borrow money to rebuild streets, recreation facilities or other renovations so funds would be available for local youth, elderly and other social service programs.

"This is just a cooperative approach with council," said one top aide.

Another said Voinovich had failed to get council approval of a federal aid budget that had been free of political considerations. The mayor now must restore social service cuts to gain political approval from council, the aide said.

After intense meetings this week with social service directors, council members and others, Voinovich now will recommend that an additional $891,000 in community development block grant aid be earmarked for 39 social service agencies.

"The thing that got to me was if we put them in this position, some of them will be going out of business," the mayor said. "We will keep them going."

Voinovich said he was hopeful that federal money could be restored. Should it be, the city would not be hurt by minor delays in capital improvement projects.

Late last month, Voinovich aides notified about 90 agencies providing youth and elderly recreation and counseling, tutoring, job training, food, services for the handicapped and other programs that they would have to seek funds in 1986 from local charities or from the county.

Voinovich said then that federal aid available in Cleveland should be used to rebuild neighborhoods, business districts, shopping strips and other

See MAYOR, PAGE 10-A

FROM PAGE 1-A

projects. County government and local charities should be asked to provide social service programs, said Voinovich.

The initial Voinovich recommendation called for community development aid only for 19 food and shelter programs. Voinovich said those 19 should seek new financial help next year because he would recommend that no social service agencies receive community development block grants funds in Cleveland in 1987.

The Voinovich recommendation was not well received by social service directors and members of council. Several social service agencies Monday issued layoff notices to employees. Most council members said they would refuse to adopt the Voinovich plan.

Council members said they would force Voinovich to restore money to social services by refusing to adopt the federal aid budget. Some added they would also restore up to $5 million in neighborhood development programs, including a sidewalk resurfacing project.

The new Voinovich plan restores at least partial aid to 39 agencies, including several that had said they would close without federal funds. The agencies received about $2.4 million in federal community development aid last year.

Voinovich met privately this week with members of council and executives and volunteers from several social service agencies. Persons attending the meetings told the mayor his plan would sacrifice the welfare of the needy to gain building projects for Cleveland.

Neighborhood activists and others also told Voinovich that community development programs, police and other programs favored by the mayor should be financed from the city treasury.

Claire Rosacco, Voinovich's press secretary, said the mayor changed his mind on cutting the 39 agencies after he learned that most had made no provisions to replace the federal funds. The agencies were told in January that community development and other federal funds were threatened in Cleveland.

Voinovich said many local agencies did not heed warnings that funds would be cut. He also said Congress failed to provide adequate funds.

Voinovich said a committee of city, county, state and charity executives would be formed to explore methods to finance future local social services.

Voinovich indicated this was an era of reduced federal spending and that federal aid for community development should be used to rebuild cities.

Community development block grant aid here will drop 31% this year, from $29 million to $19 million, largely from efforts to reduce the federal deficit.

Prepared statement of Linda Haley

My name is Linda Haley of 33 North Lorel Avenue, Chicago. I am a tenant living in a building which was rehabilitated and is now being managed by PRIDE, Incorporated.

PRIDE is a non-profit housing group serving the Austin neighborhood in Chicago. PRIDE works together with owners to get loans for rehabilitation of their buildings. And, because the need for low and moderate income housing is so great, PRIDE also rehabilitates and manages apartment buildings.

I know how hard it is to find an affordable and decent place to live. I have very poor health and have been unable to keep a job. I was forced to put my teenage boy in the custody of DCFS and I turned to every social service agency I could who could help me survive on $144 a month, with $79 dollars in food stamps.

When I had an apartment, the conditions I lived in were horrible. I had to sell my stamps, shoplift for personal items and food, and turn to prostitution for my survival. Social services were not the solution to my problems.

There were times when I had to live on the streets and collect cans for extra money. As a good mother, I had to break up my family to prevent my child from being recruited into the gangs.

It was not until I was placed in a PRIDE Section 8 apartment that I was able to begin to put my life back together. My son and I live in a nice building in a decent apartment. PRIDE as a manager really cares about tenants. I don't have to be ashamed when company comes over and can now hold my head up with PRIDE.

But I want you to know that there are a whole lot of people who are going through what I have. And groups like PRIDE have to struggle harder than ever to develop low and moderate income housing.

(Testimony-- Page 2)

We ask YOU as our representatives to fight for every Section 8 subsidy that you can. To house the poorest of the poor, these kind of subsidies are needed. Period.

There are other ways also that low and moderate income housing can be promoted on the national level. One way is to repeal or adjust the Davis-Bacon law to allow for savings in construction costs while providing realistic wages to workers where affordable housing is needed. With the help of federal money, PRIDE can provide housing to the working poor without rent-subsidies like Section 8. You as Democrats and Republicans must courageously unite and take a stand on this. In our community and many others, this will enable more employment of local, minority contracts and keep rents low too!

Finally, PRIDE would like to promote methods to get the most bang for every remaining buck by changing regulations for delivery of federal housing money. This would mean making of criteria to increase low income "targetting" of federal monies, while forcing local municipalities to meet a standard of "streamlined" delivery systems. In other words, limit the amount of local administration costs. Just as charities are held accountable for putting the highest portion of contributions directly where its needed, so must our tax dollars be stretched to help low and moderate income housing development. We can no longer afford wasteful and clumsy bureaucracies that increase our costs in development.

The need for decent housing is everyone's right! And you as our representatives can ignore this only for so long. The crisis is growing and the private sector will not bail us out of this problem.

More information is attached to this testimony for your reference. Thank You.

People's Reinvestment and Development Effort (PRIDE), 4 N. Cicero Avenue, Room 41, Chicago, Illinois 60644 (312) 379-4412

ATTACHMENT TO TESTIMONY

Notes on Davis Bacon

The time has come to make some changes. Fair and equitable employment and contracting practices can be protected. Perhaps a "neighborhood" wage scale can be appropriate.

When rent-subsidies are not available, PRIDE acts as a General contractor. We can pay a decent, but not a "prevailing" wage to each contractor, and keep rents within the low and moderate income. However, we are limited only to using private financing. The government loans prohibit such lower than prevailing rates.

For many buildings, this causes a real dilemma. Financing the projects are possible, but the eventual rents are not affordable in our neighborhood. Is this what federal policy is all about? The alternative is demolition and deterioration of potentially good apartment buildings... housing lost forever.

Targetting & Streamlining

Just as Reagan's Administration has been able to better target the marketing of Section 8 apartments to the "very low income" applicants (vs. the more moderate income applicants) without new legislation, we believe targetting can be broadened and "streamlining" simultaneously encouraged for municipalities administering federal housing monies.

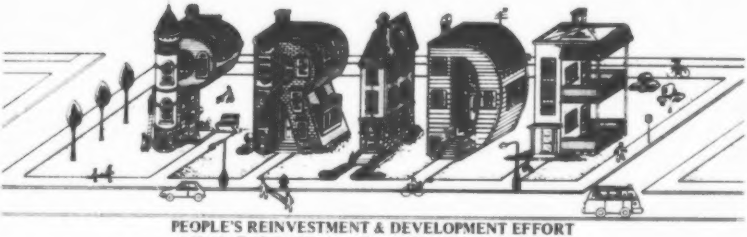
"Streamlining", as referenced in the study conducted by Richardson Burgwin for the National League of Cities and HUD, is a term used to generally describe the privatizing of the local bureaucracies. Generally, we believe that local bureaucrats are not good bankers, and therefore they do not effectively and efficiently act as bankers.

Similarly, they are not good contractors, inspectors and auditors, therefore they do not serve effectively and efficiently in those roles.

We encourage contracting out for such services where possible, guaranteeing certain requirement, but with the emphasis of putting dollars where they are needed. Obviously, some bureaucracies are more efficient than others. So a standard may need to be developed for what portion of federal dollars should go to actual projects vs. administration.

Clearly, by having a challenging standard, inefficient and wasteful municipalities would see streamlining techniques as a real option. This will take some research, brainstorming and politicking... but we are hopeful.

PRIDE and the staff of the Chicago Rehab Network, a coalition of not-for-profit housing developers in Chicago, are available to work with congressmen to hash out specific proposals.



PEOPLE'S REINVESTMENT & DEVELOPMENT EFFORT
–A Not-for-Profit Neighborhood Housing Development Corporation –
4 N. Cicero - Room 41 Chicago, Illinois 60644 (312) 379-4412

PROPERTY MANAGEMENT PROGRAM: TENANT SELECTION AND TRAINING COMPONENT

The primary housing problem faced in the South Austin neighborhood of Chicago is the rapid deterioration of the housing stock, particularly the multi-family structures. Unresponsible or underfinanced ownership and improper property management has been a leading cause of deterioration of such properties. PRIDE's Property Management Program seeks to address this need by providing quality management and upkeep in properties we are able to purchase and rehabilitate. Where cooperative arrangements can be made with responsible owners, PRIDE will facilitate rehab and management.

It is estimated that Property Management Services will be provided to a minimum of 200 families during the upcoming 1986-87 Fiscal Year.

The Tenant Selection and Training (TS & T) Component of the program goes beyond the basic provision of quality, property management services. The thrust of this component is to enable mechanisms to promote stable, self-sufficient families; families who have substantial involvement in the management process.

A deliberate and thorough process for selection and screening of tenants is employed to avert many of the problems typically experienced by companies managing low-income housing.

Each building managed by PRIDE has monthly meetings of tenants and management where problems are discussed and common concerns are creatively addressed. Tenants learn about the legal responsibilities of management and tenants, and hear from experts on apartment upkeep, maintenance and other topics. Tenants are trained to conduct the meetings, elect their own officers, encouraged to take on tenant-sponsored projects, and challenged to make PRIDE a more responsive property management company. Through this training, tenants are able to gain needed skills that contribute to keeping operating costs low. Such efforts also foster a strong sense of ownership and pride in the buildings.

Further, there will be special classes and workshops on various topics that tenants consider a priority which will be organized by a Tenants Planning Committee of building leaders. PRIDE will contract with service providers who can enable such training. Topics could include women's self-defense, preventing child abuse, employment training, budgetting, organizing baby-sitting cooperatives etc.

Similarly, there may be opportunities to provide direct services through appropriate agencies on an as-needed basis for PRIDE families. For example, family crisis or budget counseling could be provided through service providers qualified to address those kind of special needs. PRIDE staff would act as a broker of such services, linking the appropriate agencies and tenants together when necessary.

PRIDE
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4 N. Cicero · Room 41 · Chicago, Illinois 60644 (312) 379-4412

PEOPLE'S REINVESTMENT AND DEVELOPMENT EFFORT (PRIDE)

A Not-for-Profit Neighborhood Housing Development Corporation
4 N. Cicero Avenue, Room 41 Chicago, Illinois 60644 (312) 379-4412

Established in June of 1981, the mission of PRIDE has been to provide ways to enable decent, affordable housing to low and moderate income residents of South Austin. As a non-profit housing development corporation, PRIDE has sought to fulfill its mission to the community through several kinds of efforts.

ENERGY & LOAN PROGRAMS

PRIDE has worked with owners in financial loan packaging, construction oversight, and property management assistance. This has resulted in the full rehabilitation of 75 apartments in multi-family buildings.

PRIDE admininisters three programs to help responsible owners finance work for energy conservation and and general rehab in large and small buildings. They are:

Chicago Energy Savers Fund
6-7% Loans for Single-Family
& Multi-Family Buildings

SACCC/State Farm Home Loans
Single Family Home Rehab
9% Loans, $10,000 maximum

Home Energy Loan Program (HELP)
$2500 Loan/Grant (maximum)

For information on PRIDE's Loan Programs, call 287-6400.

REHABILITATION & DEVELOPMENT

PRIDE has acted as an owner and developer for several seriously delapidated apartment buildings. For 144 units, rehab is complete or construction is in process.

PROPERTY MANAGEMENT

PRIDE is currently managing 130 apartments in the South Austin area. PRIDE maintains both low-income apartments and renovated "market rent" apartments. Because demand is so great for the low-income apartments, PRIDE is now only accepting applications for market apartments". Call 379-4412 for more information.

Property Management is accomplished in ways unique in South Austin. PRIDE seeks to involve tenants in solving the problems of their buildings; together, residents and management address the priorities and concerns of those living in PRIDE buildings.

PRIDE was co-recipient of the 1982 TRUST (To Reshape Urban Systems Together) Neighborhood Award for attracting major investment back to the neighborhood. As an active member of the Chicago Rehab Network, PRIDE works together with other low and moderate income housing developers from around the city to enable opportunities to save and upgrade housing city-wide. PRIDE's Developments and Programs are controlled by community residents which make up the Board of Directors.

PRIDE1.D1

SUMMARY OF PRIDE HOUSING DEVELOPMENTS

People's Reinvestment and Development Effort (PRIDE) was established in June of 1981 to address the housing needs of the neighborhood of South Austin, with programmatic efforts particularly focused on enabling investment and rehabilitation of multi-family apartment buildings.

In addition to handling receivership and interim management needs of local owners, PRIDE completed the financial packaging and oversight of two major developments. They are located at 16 North Lorel and Quincy/Laramie, with 75 apartments completely renovated. These projects represent 1.26 million worth of investment in South Austin.

In 1984, PRIDE began to act as an owner/developer of projects. Since that time developments have been completed on projects at 5301 W. Washington Blvd. ("Lockwood Terrace") and 33-35 N. Lorel, with a total of 31 units.

Three other projects are at differing stages of completion. A multi-family property located at 36-50 N. Menard is very near completion, as is the corner building at 5001 W. Monroe. Renovation is about 40% complete at 133-45 South Central and has just begun at 5836 W. Washington Boulevard. Properties now being renovated total an additional 113 apartments.

In all, PRIDE developments which have been initiated since 1984 and are due for completion in 1986 represents approximately $2,675,000 in housing investment in the South Austin neighborhood.

Further, PRIDE has continuously worked with multi-family and single-family owners to rehabilitate their buildings and enable energy-related improvements. This is currently being done with the administration of three loan programs for local property owners.

In 1985 PRIDE established the property management program and developed capability for insuring the long-term upkeep and responsible management of PRIDE developed buildings. PRIDE seeks to involve tenants with management through regular building meetings, educational workshops and linking needy tenants with specific service providers. PRIDE is currently managing 130 occupied apartments.

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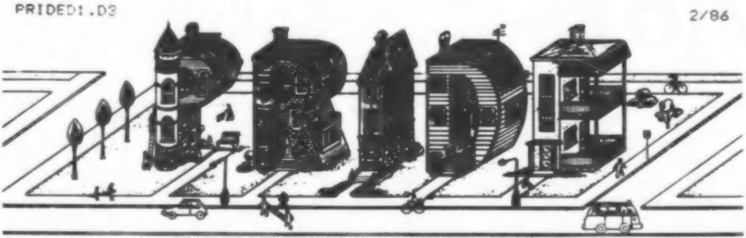

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